

PHILLIPS, HAGER & NORTH FUNDS

2014
Semi-Annual
Management Report
of Fund Performance

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MONEY MARKET FUND

**PHILLIPS, HAGER & NORTH
CANADIAN MONEY MARKET FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. To achieve the Fund's investment objective, we invest in government or government guaranteed treasury bills, high-grade corporate notes, and asset-backed commercial paper. At the time of purchase, securities will generally have a term to maturity of less than 183 days and the portfolio's term to maturity will typically average 30 days. The Fund is conservatively managed and does not invest in foreign securities.

Results of Operations

The Fund's net asset value was \$1.3 billion as of June 30, 2014.

As of June 30, 2014, the current yields were 0.7% for Series D units, 0.8% for Series F units, 1.2% for Series O units and 0.7% for Advisor Series units. Over the past six months, the Fund's Series D units returned 0.33%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

During the reporting period, the portfolio manager allocated all of the assets of the Fund to money-market instruments that pay a credit premium over Government of Canada Treasury bills. Such instruments included corporate notes, bank-sponsored asset-backed commercial paper, and bankers' acceptances, as well as a small allocation to short-term floating-rate notes.

With still no changes, nor any expected for the remainder of the year, to the Bank of Canada's (the "BOC") overnight target rate, and very little movement in Government of Canada Treasury bills, there were limited opportunities to add value via interest rate anticipation. The average term to maturity of the Fund was mainly influenced by the portfolio manager's credit strategies. Throughout the first half of 2014, and consistent with much of the period since the BOC's target rate reached 1% in 2010, the portfolio manager focused primarily on corporate securities with a longer term to maturity than the Fund's benchmark, the DEX 30-Day T-Bill Index, in order to obtain the wider credit premiums that exist further out in maturity.

Recent Developments

The strategies employed by the Fund have remained largely consistent since the start of the ultra-low interest rate cycle in 2009. There have been no meaningful shifts in the investment strategy this period or for the outlook for money market rates, which will likely remain on hold for the remainder of 2014.

Related-Party Transactions**Manager and Portfolio Advisor**

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.00	0.06	(0.03)	–	–	0.03	(0.03)	–	–	–	(0.03)	10.00
Dec. 31, 2013	10.00	0.12	(0.04)	–	–	0.08	(0.08)	–	–	–	(0.08)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00
Dec. 31, 2011	10.00	0.11	(0.05)	–	–	0.06	(0.06)	–	–	–	(0.06)	10.00
Dec. 31, 2010	10.00	0.08	(0.04)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2009	10.00	0.11	(0.05)	–	–	0.06	(0.06)	–	–	–	(0.06)	10.00
Advisor Series												
June 30, 2014	10.00	0.06	(0.03)	–	–	0.03	(0.03)	–	–	–	(0.03)	10.00
Dec. 31, 2013	10.00	0.12	(0.04)	–	–	0.08	(0.08)	–	–	–	(0.08)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00
Dec. 31, 2011	10.00	0.11	(0.05)	–	–	0.06	(0.06)	–	–	–	(0.06)	10.00
Dec. 31, 2010 ³	10.00 [†]	0.01	(0.01)	–	–	–	–	–	–	–	–	10.00
Series D												
June 30, 2014	10.00	0.06	(0.03)	–	–	0.03	(0.03)	–	–	–	(0.03)	10.00
Dec. 31, 2013	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00
Dec. 31, 2011	10.00	0.11	(0.05)	–	–	0.06	(0.06)	–	–	–	(0.06)	10.00
Dec. 31, 2010	10.00	0.08	(0.04)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2009	10.00	0.10	(0.04)	–	–	0.06	(0.06)	–	–	–	(0.06)	10.00
Series F												
June 30, 2014	10.00	0.06	(0.02)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2013	10.00	0.12	(0.04)	–	–	0.08	(0.08)	–	–	–	(0.08)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00
Dec. 31, 2011	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00
Dec. 31, 2010	10.00	0.08	(0.04)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2009	10.00	0.10	(0.04)	–	–	0.06	(0.06)	–	–	–	(0.06)	10.00
Series O												
June 30, 2014	10.00	0.06	–	–	–	0.06	(0.06)	–	–	–	(0.06)	10.00
Dec. 31, 2013	10.00	0.13	–	–	–	0.13	(0.13)	–	–	–	(0.13)	10.00
Dec. 31, 2012	10.00	0.12	–	–	–	0.12	(0.12)	–	–	–	(0.12)	10.00
Dec. 31, 2011	10.00	0.11	–	–	–	0.11	(0.11)	–	–	–	(0.11)	10.00
Dec. 31, 2010	10.00	0.08	–	–	–	0.08	(0.08)	–	–	–	(0.08)	10.00
Dec. 31, 2009	10.00	0.10	–	–	–	0.10	(0.10)	–	–	–	(0.10)	10.00

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.00	4 092	409	0.54	0.54	n/a	—
Dec. 31, 2013	10.00	3 606	361	0.54	0.54	n/a	—
Dec. 31, 2012	10.00	6 820	682	0.54	0.54	n/a	—
Dec. 31, 2011	10.00	11 674	1 167	0.55	0.55	n/a	—
Dec. 31, 2010	10.00	11 201	1 120	0.37	0.37	n/a	—
Dec. 31, 2009	10.00	8 206	821	0.51 ⁴	0.75	n/a	—
Advisor Series							
June 30, 2014	10.00	3 998	400	0.54	0.54	n/a	—
Dec. 31, 2013	10.00	4 741	474	0.55	0.55	n/a	—
Dec. 31, 2012	10.00	1 412	141	0.54	0.54	n/a	—
Dec. 31, 2011	10.00	8 497	850	0.55	0.55	n/a	—
Dec. 31, 2010 ⁵	10.00	690	69	0.37	0.37	n/a	—
Series D							
June 30, 2014	10.00	237 928	23 793	0.57	0.57	n/a	—
Dec. 31, 2013	10.00	267 915	26 792	0.57	0.57	n/a	—
Dec. 31, 2012	10.00	293 820	29 382	0.56	0.56	n/a	—
Dec. 31, 2011	10.00	432 080	43 208	0.55	0.55	n/a	—
Dec. 31, 2010	10.00	459 423	45 942	0.41	0.41	n/a	—
Dec. 31, 2009	10.00	563 832	56 383	0.44 ⁴	0.51	n/a	—
Series F							
June 30, 2014	10.00	5 799	580	0.48	0.48	n/a	—
Dec. 31, 2013	10.00	6 268	627	0.48	0.48	n/a	—
Dec. 31, 2012	10.00	7 204	720	0.50	0.50	n/a	—
Dec. 31, 2011	10.00	8 664	866	0.50	0.50	n/a	—
Dec. 31, 2010	10.00	7 607	761	0.37	0.37	n/a	—
Dec. 31, 2009	10.00	2 456	246	0.43 ⁴	0.49	n/a	—
Series O							
June 30, 2014	10.00	1 065 892	106 589	0.03	0.03	n/a	—
Dec. 31, 2013	10.00	1 147 933	114 793	0.03	0.03	n/a	—
Dec. 31, 2012	10.00	948 553	94 855	0.03	0.03	n/a	—
Dec. 31, 2011	10.00	1 115 361	111 536	0.03	0.03	n/a	—
Dec. 31, 2010	10.00	903 528	90 353	0.03	0.03	n/a	—
Dec. 31, 2009	10.00	818 885	81 888	0.02 ⁴	0.02	n/a	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 0.50%, Series D – 0.43%, Series F – 0.42%, Series O – 0.03%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	up to 0.65%	38%	62%
Advisor Series	up to 0.65%	38%	62%
Series D	Note 1	23%	77%
Series F	up to 0.40%	–	100%

Note 1 – up to 0.50% (decreasing to 0.40% on the net Series D asset value over \$200,000,000).

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

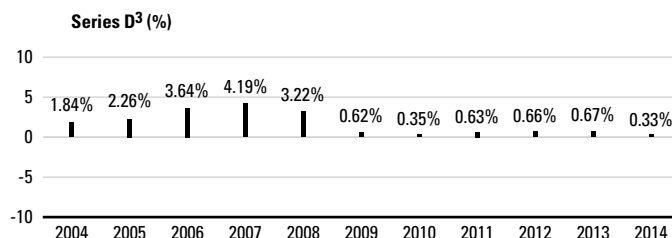
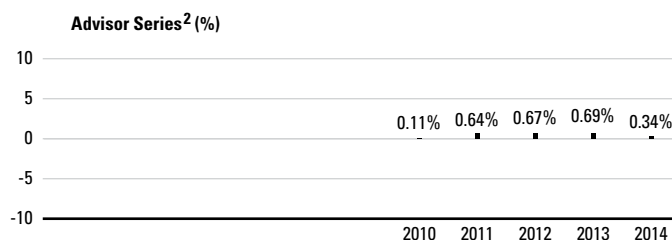
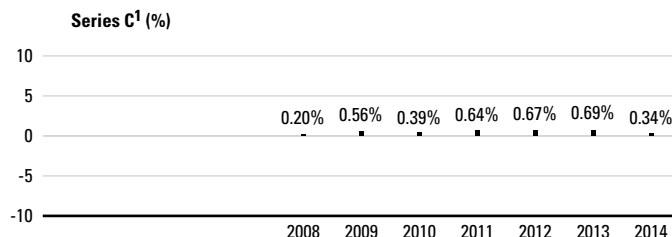
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

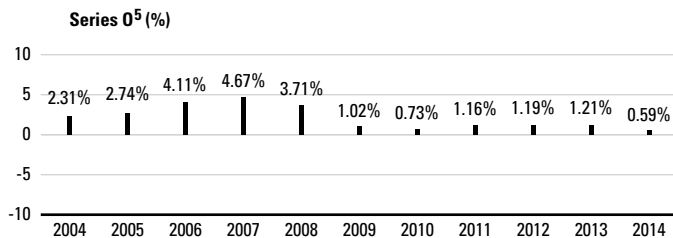
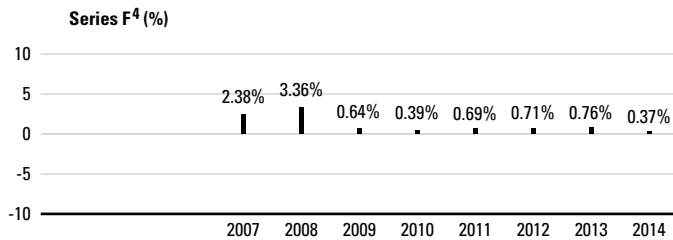
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ From November 2008.

² From October 2010.

³ Series D was known as Series A prior to November 17, 2008.

⁴ From June 2007.

⁵ From October 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Corporate Notes	96.7
Government Notes	3.3

Top 25 Holdings

	% of Net Asset Value
Ridge Trust 1.281% Jul 7 14	3.1
Bank of Nova Scotia 1.162% Aug 27 14	2.6
Bank of Nova Scotia 1.162% Sep 2 14	2.4
Canadian National Railway Co. 1.157% Jul 16 14	2.3
Clarity Trust 1.281% Jul 3 14	1.9
Inter Pipeline Ltd. 1.200% Sep 15 14	1.8
Banner Trust 1.200% Jul 2 14	1.7
HSBC Bank Canada 1.166% Jul 15 14	1.6
CU Inc. 1.163% Jul 31 14	1.6
HSBC Bank Canada 1.141% Jul 16 14	1.5
Bank of Nova Scotia 1.162% Sep 5 14	1.5
Darwin Receivables Trust - Senior Notes 1.202% Jul 17 14	1.5
TELUS Corp. 1.192% Sep 5 14	1.5
Darwin Receivables Trust - Senior Notes 1.260% Aug 27 14	1.5
Bay Street Funding Trust - Class A 1.271% Sep 5 14	1.5
Enbridge Inc. 1.213% Jul 24 14	1.5
Bay Street Funding Trust - Class A 1.271% Oct 3 14	1.5
Province of Ontario 1.201% Jul 28 14	1.4
TransCanada PipeLines Ltd. 1.168% Jul 14 14	1.4
CU Inc. 1.157% Jul 8 14	1.3
Zeus Receivables Trust - Senior Notes 1.202% Jul 23 14	1.2
King Street Funding Trust 1.270% Sep 11 14	1.2
TMX Group Ltd. 1.193% Jul 15 14	1.1
Bank of Nova Scotia 1.162% Sep 10 14	1.1
National Bank of Canada 1.145% Jul 23 14	1.1
Top 25 Holdings	40.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

MONEY MARKET FUND

**PHILLIPS, HAGER & NORTH
\$U.S. MONEY MARKET FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

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Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE (in USD)**Investment Objective and Strategies**

The Fund seeks 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. To achieve the Fund's investment objective, we invest in government or government-guaranteed treasury bills, asset-backed commercial paper and high-grade corporate notes. At the time of purchase, the portfolio's term to maturity will typically average 30 days. The Fund is managed within a conservative framework.

Results of Operations

The Fund's net asset value was \$59.1 million as of June 30, 2014.

As of June 30, 2014, the current yields were 0.1% for Series D units, 0.1% for Series F units, 0.2% for Series O units and 0.1% for Advisor Series units. Over the past six months, the Fund's Series D units returned 0.07%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

The Fund maintained a higher yield than its benchmark, the Citigroup 30-Day T-Bill Index (USD), by allocating all of its assets to money-market instruments that pay a credit premium over U.S. Federal Government Treasury bills. Such instruments included U.S.-dollar-denominated corporate notes, bank-sponsored asset-backed commercial paper, and bankers' acceptances, as well as a small allocation to short-term floating-rate notes issued by Canadian companies. The Fund also invested a small portion in U.S.-dollar-denominated fixed and floating-rate notes from Canadian provinces.

With no changes taking place or expected in the U.S. Federal Reserve Board's Federal Funds Rate for the remainder of 2014, and very little movement in Federal Government Treasury bills, there were limited opportunities to add value through predicting the movement of interest rates. The average term to maturity of the Fund was influenced mainly by the portfolio manager's credit strategies. Throughout the first half of 2014, and consistent with much of the period since the Federal Funds Rates reached 0 – 0.25% in 2008, the portfolio manager focused primarily on securities with a longer term to maturity than the Fund's 30-day benchmark in order to obtain the wider credit premiums that exist further out in maturity.

Recent Developments

The strategies employed by the Fund have remained largely consistent since the start of the ultra-low interest rate cycle in 2008. There have been no meaningful shifts in the investment strategy this period or for the outlook for money market rates, which will likely remain on hold for the remainder of 2014. The management fee continues to be reduced to ensure a modest but positive return in the Fund.

Related-Party Transactions**Manager and Portfolio Advisor**

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;

- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS (in USD)

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.00	0.01	(0.01)	–	–	–	–	–	–	–	–	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Dec. 31, 2010	10.00	0.03	(0.02)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Dec. 31, 2009	10.00	0.06	(0.04)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Advisor Series												
June 30, 2014	10.00	0.01	(0.01)	–	–	–	–	–	–	–	–	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Dec. 31, 2010 ³	10.00 [†]	0.01	–	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Series D												
June 30, 2014	10.00	0.01	(0.01)	–	–	–	–	–	–	–	–	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Dec. 31, 2010	10.00	0.03	(0.02)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Dec. 31, 2009	10.00	0.08	(0.04)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Series F												
June 30, 2014	10.00	0.01	(0.01)	–	–	–	–	–	–	–	–	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Dec. 31, 2010	10.00	0.03	(0.02)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
Dec. 31, 2009	10.00	0.08	(0.04)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Series O												
June 30, 2014	10.00	0.01	–	–	–	0.01	–	–	–	–	–	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2011	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2010	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2009	10.00	0.08	–	–	–	0.08	(0.08)	–	–	–	(0.08)	10.00

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (in USD) (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.00	2 657	266	0.12	0.12	n/a	—
Dec. 31, 2013	10.00	2 368	237	0.12	0.12	n/a	—
Dec. 31, 2012	10.00	4 031	403	0.11	0.11	n/a	—
Dec. 31, 2011	10.00	3 389	339	0.14	0.14	n/a	—
Dec. 31, 2010	10.00	2 710	272	0.20	0.20	n/a	—
Dec. 31, 2009	10.00	2 064	206	0.43 ⁴	0.91	n/a	—
Advisor Series							
June 30, 2014	10.00	113	11	0.12	0.12	n/a	—
Dec. 31, 2013	10.00	124	12	0.12	0.12	n/a	—
Dec. 31, 2012	10.00	236	24	0.11	0.11	n/a	—
Dec. 31, 2011	10.00	156	16	0.14	0.14	n/a	—
Dec. 31, 2010 ⁵	10.00	10	—	0.20	0.20	n/a	—
Series D							
June 30, 2014	10.00	16 927	1 693	0.11	0.11	n/a	—
Dec. 31, 2013	10.00	25 105	2 511	0.11	0.11	n/a	—
Dec. 31, 2012	10.00	28 875	2 887	0.12	0.12	n/a	—
Dec. 31, 2011	10.00	29 924	2 992	0.14	0.14	n/a	—
Dec. 31, 2010	10.00	25 671	2 567	0.21	0.21	n/a	—
Dec. 31, 2009	10.00	29 233	2 923	0.44 ⁴	0.64	n/a	—
Series F							
June 30, 2014	10.00	3 759	376	0.12	0.12	n/a	—
Dec. 31, 2013	10.00	4 837	484	0.12	0.12	n/a	—
Dec. 31, 2012	10.00	4 214	421	0.12	0.12	n/a	—
Dec. 31, 2011	10.00	6 743	674	0.12	0.12	n/a	—
Dec. 31, 2010	10.00	6 373	637	0.16	0.16	n/a	—
Dec. 31, 2009	10.00	6 093	609	0.41 ⁴	0.63	n/a	—
Series O							
June 30, 2014	10.00	35 605	3 561	0.06	0.06	n/a	—
Dec. 31, 2013	10.00	41 491	4 149	0.06	0.06	n/a	—
Dec. 31, 2012	10.00	30 682	3 068	0.06	0.06	n/a	—
Dec. 31, 2011	10.00	25 294	2 529	0.06	0.06	n/a	—
Dec. 31, 2010	10.00	18 070	1 807	0.06	0.06	n/a	—
Dec. 31, 2009	10.00	19 527	1 953	0.04 ⁴	0.10	n/a	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 0.44%, Series D – 0.43%, Series F – 0.40%, Series O – 0.05%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (in USD) (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	up to 0.75%	33%	67%
Advisor Series	up to 0.75%	33%	67%
Series D	up to 0.50%	20%	80%
Series F	up to 0.50%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

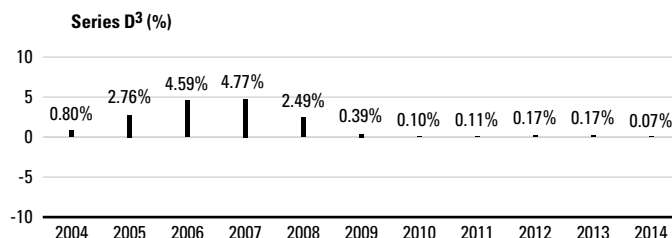
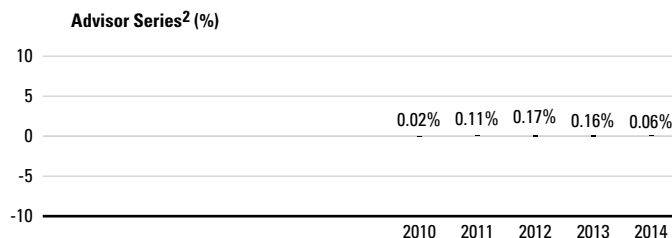
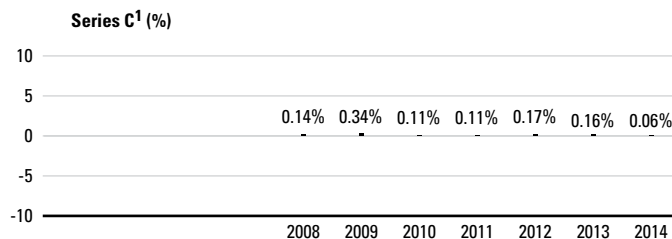
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE (in USD)

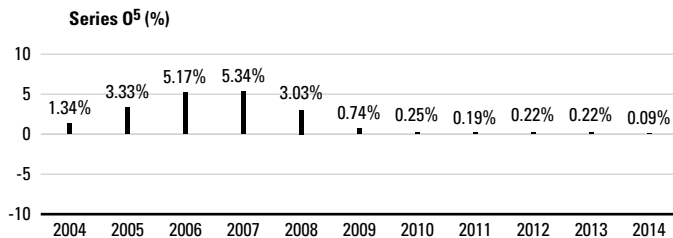
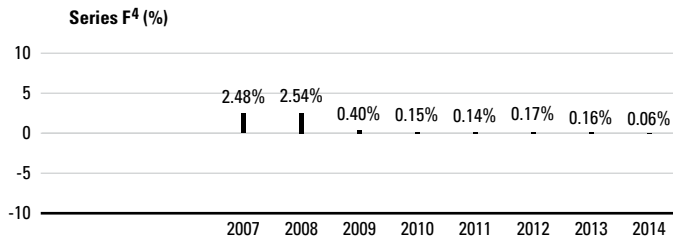
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (in USD) (cont.)



¹ From November 2008.

² From October 2010.

³ Series D was known as Series A prior to November 17, 2008.

⁴ From June 2007.

⁵ From October 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Corporate Notes	98.3
Government Notes	1.7

Top 25 Holdings

	% of Net Asset Value
CPPIB Capital Inc. 0.132% Jul 15 14	4.7
Ridge Trust 0.311% Dec 15 14	4.6
Fusion Trust 0.290% Jul 8 14	4.4
Toronto-Dominion Bank 0.108% Jul 7 14	4.2
Clarity Trust 0.301% Sep 16 14	4.2
Bank of Montreal 0.106% Jul 14 14	3.4
SAFE Trust - Series 1996-1 0.351% Nov 28 14	3.4
SOUND Trust 0.339% Aug 25 14	3.2
Prime Trust - Senior Notes 0.275% Jul 24 14	3.1
Caisse Centrale Desjardins 0.168% Aug 22 14	3.0
Darwin Receivables Trust - Senior Notes 0.290% Sep 24 14	3.0
Reliant Trust 0.258% Jul 22 14	2.7
Brookfield Asset Management Inc., Class A 0.330% Jul 11 14	2.6
Merit Trust - Senior Notes 0.310% Dec 12 14	2.5
Enbridge Inc. 0.148% Aug 29 14	2.4
TMX Group Ltd. 0.175% Jul 28 14	2.4
PSP Capital Inc. 0.131% Jul 2 14	2.3
Toronto-Dominion Bank 0.113% Jul 2 14	2.3
Bank of Montreal 0.127% Jul 3 14	2.3
Bank of Nova Scotia 0.070% Jul 2 14	2.2
PSP Capital Inc. 0.140% Aug 20 14	2.2
Merit Trust - Senior Notes 0.312% Jul 7 14	2.2
HSBC Bank Canada 0.141% Jul 3 14	2.1
Bank of Montreal 0.103% Jul 16 14	2.0
Reliant Trust 0.320% Oct 14 14	1.9
Top 25 Holdings	73.3

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
SHORT TERM BOND & MORTGAGE FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. To achieve the Fund's investment objective, we invest in high-quality Canadian corporate bonds, government bonds, and up to 40% of the Fund's net assets in conventional first mortgages and mortgages guaranteed under the *National Housing Act* (Canada). We may also invest in asset-backed commercial paper. Securities purchased will generally not have a term to maturity exceeding seven years and three months, and the average term to maturity of the portfolio will generally be three years.

Results of Operations

The Fund's net asset value was \$4.1 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 1.8%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

At the beginning of the year, the portfolio manager felt short-term interest rates were close to their fair value, given the environment of slow economic growth, strife with political risks and market imbalances. The Fund began the year with a neutral position on interest rates relative to its benchmark, the FTSE TMX Canada Short Term Overall Bond Index. As interest rates declined in January, the portfolio manager felt that yields had become unsustainably low, and shifted the positioning of the Fund in anticipation that interest rates would rise from those levels. The rates on two-year bonds did rise (marginally) over the remainder of the first half of the year, while five-year rates held steady. The Fund's tactical interest-rate positioning was slightly accretive to performance.

The portfolio manager continued to hold an overweight position in corporate bonds in the first half of the year, due to their attractive yield premium over federal government bonds and a sound fundamental environment. The Fund's corporate bonds were a strong source of performance. The yield premium fell slightly over the first half and corporate fundamentals, while still sound, became marginally less compelling. Accordingly, the overweight position in corporate bonds was reduced to a modest level. Mortgages remained attractive throughout the reporting period from both a yield premium

and fundamental perspective. The Fund maintained its allocation to this sector, which also added to performance. The portfolio manager found the yield premium of short-term provincial bonds too low compared to the other sectors, such as corporate bonds and mortgages, and held an underweight position in provincial bonds throughout the first half of 2014.

Recent Developments

With the U.S. Federal Reserve's planned tapering of its quantitative easing program underway, and North American economic expansion expected to continue, the portfolio manager feels that the most likely direction for interest rates is upwards, although the timing of such a shift is difficult to predict. Corporate bond premiums, both investment-grade and high-yield, have tightened to their lowest levels since the credit crisis, and present a risk of widening should the strong investor demand for yield subside.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series, Series H and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

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

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.42	0.15	(0.06)	0.01	0.06	0.16	(0.09)	–	–	–	(0.09)	10.49
Dec. 31, 2013	10.50	0.32	(0.12)	(0.04)	(0.06)	0.10	(0.20)	–	–	–	(0.20)	10.41
Dec. 31, 2012	10.53	0.32	(0.12)	(0.02)	(0.02)	0.16	(0.19)	–	–	–	(0.19)	10.50
Dec. 31, 2011	10.45	0.36	(0.12)	0.03	0.04	0.31	(0.23)	–	(0.01)	–	(0.24)	10.53
Dec. 31, 2010	10.47	0.41	(0.12)	0.06	(0.08)	0.27	(0.26)	–	(0.05)	–	(0.31)	10.45
Dec. 31, 2009	10.05	0.44	(0.11)	0.07	(0.07)	0.33	(0.27)	–	–	–	(0.27)	10.47
Advisor Series												
June 30, 2014	10.42	0.15	(0.06)	0.01	0.06	0.16	(0.09)	–	–	–	(0.09)	10.49
Dec. 31, 2013	10.50	0.30	(0.12)	(0.03)	(0.06)	0.09	(0.20)	–	–	–	(0.20)	10.41
Dec. 31, 2012	10.53	0.32	(0.12)	(0.02)	(0.02)	0.16	(0.19)	–	–	–	(0.19)	10.50
Dec. 31, 2011	10.45	0.36	(0.12)	0.03	0.04	0.31	(0.23)	–	(0.01)	–	(0.24)	10.53
Dec. 31, 2010 ³	10.63 [†]	0.07	(0.02)	0.01	(0.01)	0.05	(0.05)	–	(0.05)	–	(0.10)	10.45
Series H												
June 30, 2014	10.42	0.15	(0.05)	0.01	0.06	0.17	(0.10)	–	–	–	(0.10)	10.48
Dec. 31, 2013	10.51	0.31	(0.11)	(0.04)	(0.06)	0.10	(0.21)	–	–	–	(0.21)	10.41
Dec. 31, 2012 ⁴	10.54 [†]	0.14	(0.05)	(0.01)	(0.01)	0.07	(0.09)	–	–	–	(0.09)	10.51
Series D												
June 30, 2014	10.38	0.15	(0.03)	0.01	0.06	0.19	(0.12)	–	–	–	(0.12)	10.45
Dec. 31, 2013	10.47	0.31	(0.06)	(0.04)	(0.06)	0.15	(0.25)	–	–	–	(0.25)	10.37
Dec. 31, 2012	10.49	0.32	(0.06)	(0.02)	(0.02)	0.22	(0.25)	–	–	–	(0.25)	10.47
Dec. 31, 2011	10.42	0.36	(0.06)	0.03	0.04	0.37	(0.29)	–	(0.01)	–	(0.30)	10.49
Dec. 31, 2010	10.42	0.41	(0.06)	0.06	(0.08)	0.33	(0.31)	–	(0.05)	–	(0.36)	10.42
Dec. 31, 2009	10.00	0.45	(0.06)	0.12	0.20	0.71	(0.32)	–	–	–	(0.32)	10.42
Series F												
June 30, 2014	10.36	0.15	(0.03)	0.01	0.06	0.19	(0.12)	–	–	–	(0.12)	10.43
Dec. 31, 2013	10.45	0.31	(0.06)	(0.04)	(0.06)	0.15	(0.25)	–	–	–	(0.25)	10.35
Dec. 31, 2012	10.48	0.32	(0.06)	(0.02)	(0.02)	0.22	(0.25)	–	–	–	(0.25)	10.45
Dec. 31, 2011	10.40	0.36	(0.06)	0.03	0.04	0.37	(0.29)	–	(0.01)	–	(0.30)	10.48
Dec. 31, 2010	10.41	0.40	(0.06)	0.06	(0.08)	0.32	(0.31)	–	(0.05)	–	(0.36)	10.40
Dec. 31, 2009	9.99	0.44	(0.06)	0.08	(0.07)	0.39	(0.32)	–	–	–	(0.32)	10.41
Series I												
June 30, 2014	10.35	0.15	(0.03)	0.01	0.06	0.19	(0.13)	–	–	–	(0.13)	10.42
Dec. 31, 2013	10.45	0.31	(0.05)	(0.04)	(0.06)	0.16	(0.27)	–	–	–	(0.27)	10.34
Dec. 31, 2012 ⁴	10.48 [†]	0.14	(0.03)	(0.01)	(0.01)	0.09	(0.12)	–	–	–	(0.12)	10.45

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND
FINANCIAL HIGHLIGHTS (cont.)
Change in Net Assets Per Unit (\$) (cont.)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series O												
June 30, 2014	10.08	0.15	–	0.01	0.06	0.22	(0.14)	–	–	–	(0.14)	10.16
Dec. 31, 2013	10.17	0.31	(0.01)	(0.04)	(0.06)	0.20	(0.30)	–	–	–	(0.30)	10.08
Dec. 31, 2012	10.19	0.31	(0.01)	(0.02)	(0.02)	0.26	(0.30)	–	–	–	(0.30)	10.17
Dec. 31, 2011	10.11	0.35	(0.01)	0.03	0.04	0.41	(0.33)	–	(0.01)	–	(0.34)	10.19
Dec. 31, 2010	10.14	0.40	(0.01)	0.06	(0.07)	0.38	(0.38)	–	(0.05)	–	(0.43)	10.11
Dec. 31, 2009	9.78	0.43	–	0.12	0.20	0.75	(0.42)	–	–	–	(0.42)	10.14

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

⁴ From July 2012.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.49	191 035	18 213	1.16	1.16	262.40	–
Dec. 31, 2013	10.42	228 351	21 918	1.15	1.15	291.57	–
Dec. 31, 2012	10.51	298 468	30 262	1.15	1.15	236.97	–
Dec. 31, 2011	10.54	334 540	31 740	1.15	1.15	316.04	–
Dec. 31, 2010	10.46	293 873	28 085	1.13	1.13	321.53	–
Dec. 31, 2009	10.48	174 348	16 640	1.12 ⁴	1.13	181.88	–
Advisor Series							
June 30, 2014	10.49	27 536	2 625	1.16	1.16	262.40	–
Dec. 31, 2013	10.42	29 762	2 857	1.15	1.15	291.57	–
Dec. 31, 2012	10.51	56 322	3 489	1.15	1.15	236.97	–
Dec. 31, 2011	10.54	27 700	2 628	1.15	1.15	316.04	–
Dec. 31, 2010 ⁵	10.46	7 659	732	1.13	1.13	321.53	–
Series H							
June 30, 2014	10.48	30 902	2 948	1.02	1.02	262.40	–
Dec. 31, 2013	10.42	33 439	3 210	1.03	1.03	291.57	–
Dec. 31, 2012 ⁶	10.52	42 687	4 060	1.04	1.04	236.97	–
Series D							
June 30, 2014	10.45	228 998	21 921	0.60	0.60	262.40	–
Dec. 31, 2013	10.38	223 561	21 543	0.60	0.60	291.57	–
Dec. 31, 2012	10.47	270 195	25 799	0.61	0.61	236.97	–
Dec. 31, 2011	10.50	290 682	27 674	0.61	0.61	316.04	–
Dec. 31, 2010	10.43	272 713	26 142	0.59	0.59	321.53	–
Dec. 31, 2009	10.43	284 489	27 264	0.60 ⁴	0.60	181.88	–

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**FINANCIAL HIGHLIGHTS (cont.)****Ratios and Supplemental Data (cont.)**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2014	10.43	121 090	11 613	0.61	0.61	262.40	—
Dec. 31, 2013	10.36	111 207	10 736	0.61	0.61	291.57	—
Dec. 31, 2012	10.46	115 079	11 007	0.61	0.61	236.97	—
Dec. 31, 2011	10.49	121 186	11 557	0.61	0.61	316.04	—
Dec. 31, 2010	10.41	103 749	9 962	0.59	0.59	321.53	—
Dec. 31, 2009	10.42	31 635	3 035	0.60 ⁴	0.61	181.88	—
Series I							
June 30, 2014	10.42	22 652	2 175	0.49	0.49	262.40	—
Dec. 31, 2013	10.35	20 777	2 007	0.50	0.50	291.57	—
Dec. 31, 2012 ⁶	10.45	19 544	1 869	0.51	0.51	236.97	—
Series O							
June 30, 2014	10.16	3 440 891	338 809	0.06	0.06	262.40	—
Dec. 31, 2013	10.08	3 012 624	298 732	0.06	0.06	291.57	—
Dec. 31, 2012	10.17	2 693 820	264 796	0.06	0.06	236.97	—
Dec. 31, 2011	10.20	2 006 961	196 807	0.06	0.06	316.04	—
Dec. 31, 2010	10.12	1 322 295	130 633	0.05	0.05	321.53	—
Dec. 31, 2009	10.15	919 031	90 533	0.05 ⁴	0.05	181.88	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.10%, Series D – 0.58%, Series F – 0.58%, Series O – 0.05%.

⁵ From October 2010.

⁶ From July 2012.

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund.

Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.00%	50%	50%
Advisor Series	1.00%	50%	50%
Series H	0.90%	56%	44%
Series D	0.50%	30%	70%
Series F	0.50%	—	100%
Series I	0.40%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

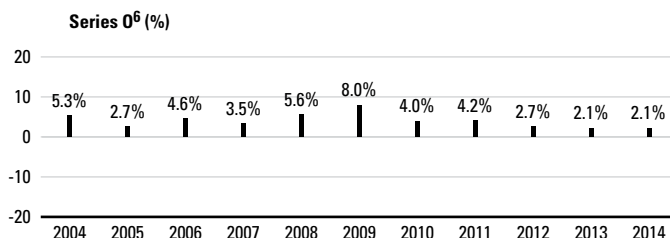
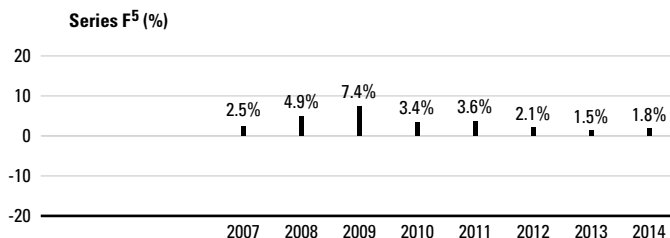
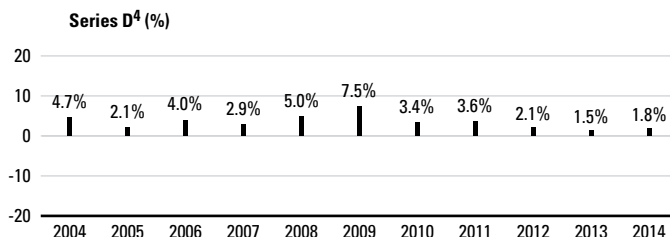
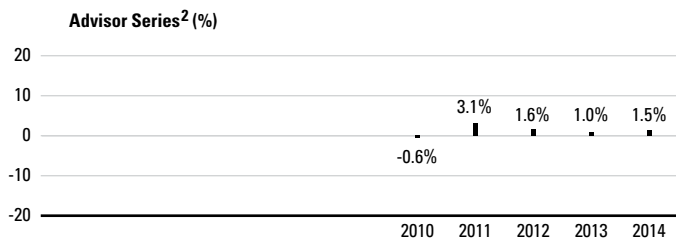
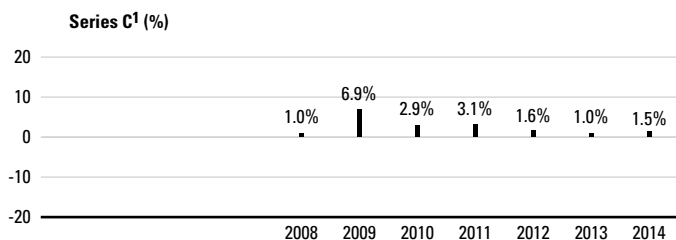
PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



1 Inception date November 2008.
 2 Inception date October 2010.
 3 Inception date July 2012.
 4 Inception date December 1993.
 5 Inception date June 2007.
 6 Inception date October 2002.
 Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**SUMMARY OF INVESTMENT PORTFOLIO***(after consideration of derivative products, if any)**As at June 30, 2014***Investment Mix**

	% of Net Asset Value
Corporate Bonds	50.4
Mortgages	15.9
Federal Bonds	15.3
Mortgage-Backed Bonds	3.8
Provincial Bonds	2.8
Cash/Other	11.8

Top 25 Holdings

	% of Net Asset Value
Cash & Cash Equivalents	11.1
Canada Housing Trust No. 1 2.750% Jun 15 16	6.7
Canada Housing Trust No. 1 2.050% Jun 15 17	3.9
Bank of Montreal 2.960% Aug 2 16	3.1
Province of Ontario 4.400% Jun 2 19	2.7
Cards II Trust 1.984% Jan 15 16	2.1
Canada Housing Trust No. 1 2.350% Dec 15 18	1.9
Canadian Imperial Bank of Commerce 1.750% Jun 1 16	1.7
Royal Bank of Canada 2.070% Jun 17 16	1.3
Toronto-Dominion Bank 2.433% Aug 15 17	1.2
Canadian Imperial Bank of Commerce 4.110% Apr 30 20	1.2
Anheuser-Busch InBev Worldwide Inc. CAD 3.650% Jan 15 16	1.1
Canadian Imperial Bank of Commerce 2.650% Nov 8 16	1.1
Canada Housing Trust No. 1 1.950% Jun 15 19	1.1
Bank of Nova Scotia 1.800% May 9 16	1.1
Bank of Nova Scotia 2.100% Nov 8 16	1.0
Hydro One Inc. 2.780% Oct 9 18	0.9
HSBC Bank Canada 2.901% Jan 13 17	0.9
Government of Canada 1.000% May 1 16	0.8
Bank of Nova Scotia 2.740% Dec 1 16	0.8
Royal Bank of Canada 2.680% Dec 8 16	0.8
Bank of Montreal 3.490% Jun 10 16	0.8
National Grid Electricity Transmission Plc. CAD 2.730% Sep 20 17	0.8
Canadian Credit Card Trust 2.306 Apr 24 15	0.7
Thomson Reuters Corp. 3.369% May 23 19	0.7
Top 25 Holdings	49.5

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH BOND FUND*June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. Through a mix of interest income and capital appreciation, the Fund aims to provide a competitive rate of return while controlling the interest rate and credit risks to which it is exposed. To achieve the Fund's investment objective, we invest primarily in high-quality Canadian corporate and government bonds issued in either Canadian or U.S. dollars. We may also invest in asset-backed commercial paper. The average term to maturity of the portfolio is managed within strict guidelines, and typically falls between seven and 12 years.

Results of Operations

The Fund's net asset value was \$10.5 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 4.8%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

At the beginning of the year, the portfolio manager felt that interest rates were close to their fair value, given the environment of slow economic growth, strife with political risks and market imbalances. The Fund began the year with a neutral position on interest rates relative to its benchmark, the FTSE TMX Canada Universe Bond Index. As interest rates declined in January, the portfolio manager felt that yields had become unsustainably low, and shifted the positioning of the Fund in anticipation that interest rates would rise from those levels. Interest rates continued to fall (marginally) for the remainder of the first half of the year, which led to strong returns for the Fund and bond markets in general. The Fund's tactical interest-rate positioning was slightly accretive to performance.

The portfolio manager continued to hold an overweight position in corporate bonds in the first half of the year, due to their attractive yield premium over federal government bonds and a sound fundamental environment. The Fund's corporate bonds were a strong source of performance. The yield premium fell slightly over the first half and corporate fundamentals, while still sound, became marginally less compelling. Accordingly, the overweight position in corporate bonds was reduced to a modest level. The portfolio manager found the yield premium of provincial bonds more compelling, and maintained a more meaningful overweight position (when compared to the benchmark) in that sector over the first half. Provincial bonds were also accretive to performance.

Recent Developments

With the U.S. Federal Reserve's planned tapering of its quantitative easing program underway, and North American economic expansion expected to continue, the portfolio manager feels that the most likely direction for interest rates is upwards, although the timing of such a shift is difficult to predict. Corporate bond premiums, both investment-grade and high-yield, have tightened to their lowest levels since the credit crisis, and present a risk of widening should the strong investor demand for yield subside.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.21	0.18	(0.06)	0.05	0.29	0.46	(0.13)	–	–	–	(0.13)	10.53
Dec. 31, 2013	10.65	0.38	(0.12)	(0.02)	(0.42)	(0.18)	(0.25)	–	(0.02)	–	(0.27)	10.19
Dec. 31, 2012	10.75	0.39	(0.13)	0.17	(0.13)	0.30	(0.26)	–	(0.15)	–	(0.41)	10.65
Dec. 31, 2011	10.31	0.42	(0.12)	0.16	0.36	0.82	(0.29)	–	(0.06)	–	(0.35)	10.75
Dec. 31, 2010	10.14	0.46	(0.11)	0.14	0.11	0.60	(0.35)	–	(0.12)	–	(0.47)	10.31
Dec. 31, 2009	9.76	0.49	(0.12)	0.12	0.13	0.62	(0.40)	–	(0.09)	–	(0.49)	10.14
Advisor Series												
June 30, 2014	10.21	0.18	(0.06)	0.05	0.29	0.46	(0.13)	–	–	–	(0.13)	10.53
Dec. 31, 2013	10.65	0.37	(0.12)	(0.02)	(0.41)	(0.18)	(0.24)	–	(0.02)	–	(0.26)	10.19
Dec. 31, 2012	10.75	0.39	(0.13)	0.17	(0.13)	0.30	(0.26)	–	(0.15)	–	(0.41)	10.65
Dec. 31, 2011	10.31	0.42	(0.12)	0.16	0.36	0.82	(0.29)	–	(0.06)	–	(0.35)	10.75
Dec. 31, 2010 ³	10.63 [†]	0.08	(0.02)	0.02	0.02	0.10	(0.08)	–	(0.12)	–	(0.20)	10.31
Series D												
June 30, 2014	10.12	0.18	(0.03)	0.05	0.29	0.49	(0.16)	–	–	–	(0.16)	10.44
Dec. 31, 2013	10.57	0.37	(0.06)	(0.02)	(0.42)	(0.13)	(0.30)	–	(0.02)	–	(0.32)	10.11
Dec. 31, 2012	10.67	0.39	(0.07)	0.17	(0.13)	0.36	(0.32)	–	(0.15)	–	(0.47)	10.57
Dec. 31, 2011	10.24	0.42	(0.06)	0.16	0.36	0.88	(0.35)	–	(0.06)	–	(0.41)	10.67
Dec. 31, 2010	10.06	0.46	(0.06)	0.14	0.11	0.65	(0.39)	–	(0.12)	–	(0.51)	10.24
Dec. 31, 2009	9.67	0.49	(0.06)	0.15	0.33	0.91	(0.44)	–	(0.09)	–	(0.53)	10.06
Series F												
June 30, 2014	10.17	0.18	(0.03)	0.05	0.29	0.49	(0.16)	–	–	–	(0.16)	10.50
Dec. 31, 2013	10.62	0.38	(0.06)	(0.02)	(0.42)	(0.12)	(0.30)	–	(0.02)	–	(0.32)	10.16
Dec. 31, 2012	10.72	0.39	(0.07)	0.17	(0.13)	0.36	(0.32)	–	(0.15)	–	(0.47)	10.62
Dec. 31, 2011	10.28	0.42	(0.06)	0.16	0.36	0.88	(0.35)	–	(0.06)	–	(0.41)	10.72
Dec. 31, 2010	10.10	0.46	(0.06)	0.14	0.11	0.65	(0.39)	–	(0.12)	–	(0.51)	10.28
Dec. 31, 2009	9.71	0.49	(0.06)	0.13	0.32	0.88	(0.44)	–	(0.09)	–	(0.53)	10.10
Series O												
June 30, 2014	10.15	0.18	–	0.05	0.29	0.52	(0.20)	–	–	–	(0.20)	10.47
Dec. 31, 2013	10.60	0.37	–	(0.02)	(0.42)	(0.07)	(0.37)	–	(0.02)	–	(0.39)	10.14
Dec. 31, 2012	10.70	0.39	–	0.17	(0.13)	0.43	(0.38)	–	(0.15)	–	(0.53)	10.60
Dec. 31, 2011	10.27	0.41	–	0.16	0.36	0.93	(0.41)	–	(0.06)	–	(0.47)	10.70
Dec. 31, 2010	10.07	0.46	–	0.14	0.11	0.71	(0.44)	–	(0.12)	–	(0.56)	10.27
Dec. 31, 2009	9.68	0.48	–	0.15	0.33	0.96	(0.48)	–	(0.09)	–	(0.57)	10.07

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.53	121 706	11 553	1.16	1.16	267.42	—
Dec. 31, 2013	10.21	143 042	14 017	1.16	1.16	356.05	—
Dec. 31, 2012	10.66	229 300	21 507	1.16	1.16	244.30	—
Dec. 31, 2011	10.76	192 971	17 926	1.17	1.17	158.96	—
Dec. 31, 2010	10.33	138 241	13 386	1.14	1.14	166.39	—
Dec. 31, 2009	10.16	64 362	6 334	1.11 ⁴	1.13	92.65	—
Advisor Series							
June 30, 2014	10.53	33 235	3 155	1.16	1.16	267.42	—
Dec. 31, 2013	10.21	34 982	3 428	1.16	1.16	356.05	—
Dec. 31, 2012	10.66	43 243	4 056	1.16	1.16	244.30	—
Dec. 31, 2011	10.76	22 764	2 115	1.17	1.17	158.96	—
Dec. 31, 2010 ⁵	10.33	1 983	192	1.14	1.14	166.39	—
Series D							
June 30, 2014	10.44	619 236	59 289	0.60	0.60	267.42	—
Dec. 31, 2013	10.12	636 614	62 906	0.60	0.60	356.05	—
Dec. 31, 2012	10.58	832 584	78 724	0.61	0.61	244.30	—
Dec. 31, 2011	10.68	861 453	80 648	0.61	0.61	158.96	—
Dec. 31, 2010	10.25	820 284	80 022	0.59	0.59	166.39	—
Dec. 31, 2009	10.08	804 910	79 867	0.58 ⁴	0.58	92.65	—
Series F							
June 30, 2014	10.50	74 471	7 095	0.60	0.60	267.42	—
Dec. 31, 2013	10.17	76 377	7 511	0.61	0.61	356.05	—
Dec. 31, 2012	10.63	115 702	10 889	0.61	0.61	244.30	—
Dec. 31, 2011	10.73	97 683	9 104	0.61	0.61	158.96	—
Dec. 31, 2010	10.30	69 654	6 766	0.60	0.60	166.39	—
Dec. 31, 2009	10.12	48 941	4 836	0.59 ⁴	0.59	92.65	—
Series O							
June 30, 2014	10.47	9 630 760	919 794	0.02	0.02	267.42	—
Dec. 31, 2013	10.15	8 931 735	879 564	0.02	0.02	356.05	—
Dec. 31, 2012	10.61	7 291 432	687 096	0.02	0.02	244.30	—
Dec. 31, 2011	10.71	6 080 197	567 456	0.02	0.02	158.96	—
Dec. 31, 2010	10.28	4 629 060	450 231	0.02	0.02	166.39	—
Dec. 31, 2009	10.09	3 098 575	307 000	0.02 ⁴	0.02	92.65	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.10%, Series D – 0.58%, Series F – 0.58%, Series O – 0.02%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.00%	50%	50%
Advisor Series	1.00%	50%	50%
Series D	0.50%	30%	70%
Series F	0.50%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

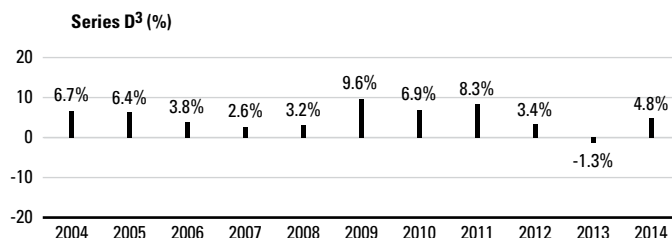
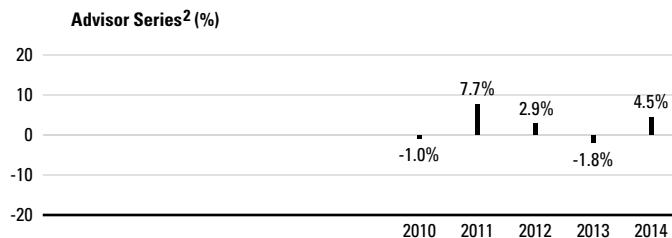
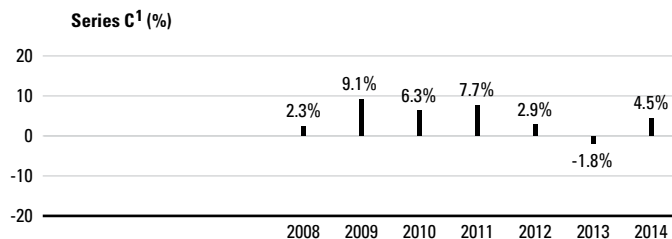
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

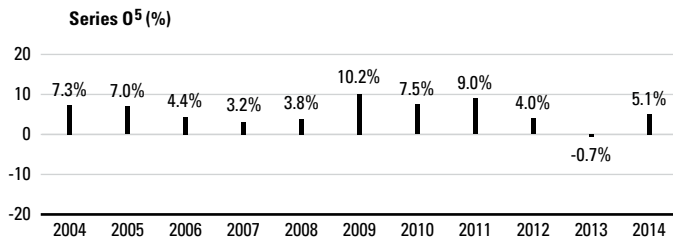
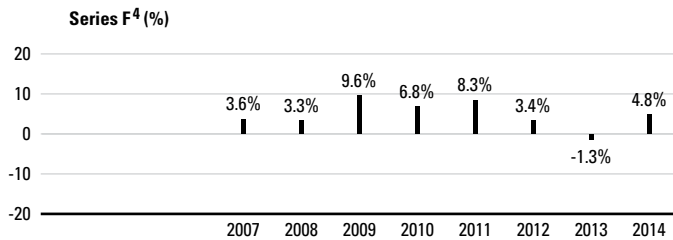
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date December 1970.

⁴ Inception date June 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Corporate Bonds	39.8
Provincial Bonds	31.7
Federal Bonds	14.8
Mortgages	0.6
Municipal Bonds	0.3
Cash/Other	12.8

Top 25 Holdings

	% of Net Asset Value
Cash & Cash Equivalents	12.2
Canada Housing Trust No. 1 1.950% Jun 15 19	5.0
Province of Ontario 6.500% Mar 8 29	4.7
Province of Ontario 7.600% Jun 2 27	3.7
Canada Housing Trust No. 1 3.800% Jun 15 21	2.7
Province of Ontario 3.450% Jun 2 45	2.6
Province of Ontario 5.600% Jun 2 35	2.3
Province of Ontario 4.000% Jun 2 21	2.2
Province of Ontario 4.650% Jun 2 41	2.2
Canada Housing Trust No. 1 4.100% Dec 15 18	1.7
Province of Ontario 8.100% Sep 8 23	1.6
Government of Canada 1.750% Mar 1 19	1.5
Province of Quebec 8.500% Apr 1 26	1.4
Province of Ontario 8.500% Dec 2 25	1.3
Province of Ontario 4.600% Jun 2 39	1.3
Province of Ontario 6.200% Jun 2 31	1.2
Canada Housing Trust No. 1 3.350% Dec 15 20	1.1
Province of Ontario 5.850% Mar 8 33	1.1
Bank of Montreal 3.490% Jun 10 16	1.1
Ontario Electricity Financial Corp. 8.250% Jun 22 26	1.0
Province of Ontario 3.500% Jun 2 43	1.0
Bank of Nova Scotia 1.800% May 9 16	1.0
Canada Housing Trust No. 1 2.650% Mar 15 22	0.9
Royal Bank of Canada 2.580% Apr 13 17	0.8
Canadian Imperial Bank of Commerce 1.750% Jun 1 16	0.8
Top 25 Holdings	56.4

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

FIXED-INCOME FUND

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

June 30, 2014

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

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. To achieve the Fund's investment objective, we invest primarily in high-quality Canadian corporate and government bonds issued in Canadian or U.S. dollars. We may also invest in asset-backed commercial paper. The average term to maturity of the portfolio is managed within strict guidelines, typically between seven and 12 years.

Results of Operations

The Fund's net asset value was \$148.1 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 4.8%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

At the beginning of the year, the portfolio manager felt that interest rates were close to their fair value, given the environment of slow economic growth, strife with political risks and market imbalances. The Fund began the year with a neutral position on interest rates relative to its benchmark, the FTSE TMX Canada Universe Bond Index. As interest rates declined in January, the portfolio manager felt that yields had become unsustainably low, and shifted the positioning of the Fund in anticipation that interest rates would rise from those levels. Interest rates continued to fall (marginally) for the remainder of the first half of the year, which led to strong returns for the Fund and bond markets in general. The Fund's tactical interest-rate positioning was slightly accretive to performance.

The portfolio manager continued to hold an overweight position in corporate bonds in the first half of the year, due to their attractive yield premium over federal government bonds and a sound fundamental environment. The Fund's corporate bonds were a strong source of performance. The yield premium fell slightly over the first half and corporate fundamentals, while still sound, became marginally less compelling. Accordingly, the overweight position in corporate bonds was reduced to a modest level. The portfolio manager found the yield premium of provincial bonds more compelling, and maintained a more meaningful overweight position (when compared to the benchmark) in that sector over the first half. Provincial bonds were also accretive to performance.

Recent Developments

With the U.S. Federal Reserve's planned tapering of its quantitative easing program underway, and North American economic expansion expected to continue, the portfolio manager feels that the most likely direction for interest rates is upwards, although the timing of such a shift is difficult to predict. Corporate bond premiums, both investment-grade and high-yield, have tightened to their lowest levels since the credit crisis, and present a risk of widening should the strong investor demand for yield subside.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.68	0.19	(0.06)	0.04	0.32	0.49	(0.13)	–	–	–	(0.13)	11.03
Dec. 31, 2013	11.20	0.39	(0.13)	–	(0.45)	(0.19)	(0.26)	–	(0.07)	–	(0.33)	10.66
Dec. 31, 2012	11.39	0.41	(0.13)	0.30	(0.27)	0.31	(0.28)	–	(0.23)	–	(0.51)	11.20
Dec. 31, 2011	10.95	0.43	(0.12)	0.26	0.30	0.87	(0.30)	–	(0.08)	–	(0.38)	11.39
Dec. 31, 2010	10.81	0.46	(0.12)	0.18	0.12	0.64	(0.36)	–	(0.15)	–	(0.51)	10.95
Dec. 31, 2009	10.37	0.50	(0.12)	0.06	(0.07)	0.37	(0.37)	–	(0.01)	–	(0.38)	10.81
Advisor Series												
June 30, 2014	10.68	0.19	(0.06)	0.04	0.32	0.49	(0.13)	–	–	–	(0.13)	11.03
Dec. 31, 2013	11.20	0.39	(0.13)	–	(0.45)	(0.19)	(0.26)	–	(0.07)	–	(0.33)	10.66
Dec. 31, 2012	11.39	0.41	(0.13)	0.30	(0.27)	0.31	(0.28)	–	(0.23)	–	(0.51)	11.20
Dec. 31, 2011	10.95	0.43	(0.12)	0.26	0.30	0.87	(0.30)	–	(0.08)	–	(0.38)	11.39
Dec. 31, 2010 ³	11.32 [†]	0.08	(0.02)	0.03	0.02	0.11	(0.09)	–	(0.15)	–	(0.24)	10.95
Series D												
June 30, 2014	10.60	0.19	(0.03)	0.04	0.32	0.52	(0.16)	–	–	–	(0.16)	10.95
Dec. 31, 2013	11.13	0.39	(0.07)	–	(0.45)	(0.13)	(0.32)	–	(0.07)	–	(0.39)	10.59
Dec. 31, 2012	11.33	0.41	(0.07)	0.29	(0.27)	0.36	(0.34)	–	(0.23)	–	(0.57)	11.13
Dec. 31, 2011	10.89	0.42	(0.06)	0.26	0.29	0.91	(0.36)	–	(0.08)	–	(0.44)	11.33
Dec. 31, 2010	10.74	0.46	(0.06)	0.18	0.12	0.70	(0.41)	–	(0.15)	–	(0.56)	10.89
Dec. 31, 2009	10.30	0.51	(0.07)	0.14	0.31	0.89	(0.43)	–	(0.02)	–	(0.45)	10.74
Series F												
June 30, 2014	10.64	0.19	(0.03)	0.04	0.32	0.52	(0.16)	–	–	–	(0.16)	10.99
Dec. 31, 2013	11.17	0.39	(0.07)	–	(0.45)	(0.13)	(0.32)	–	(0.07)	–	(0.39)	10.63
Dec. 31, 2012	11.36	0.41	(0.07)	0.30	(0.27)	0.37	(0.34)	–	(0.23)	–	(0.57)	11.17
Dec. 31, 2011	10.92	0.42	(0.06)	0.26	0.30	0.92	(0.36)	–	(0.08)	–	(0.44)	11.36
Dec. 31, 2010	10.77	0.46	(0.06)	0.18	0.12	0.70	(0.41)	–	(0.15)	–	(0.56)	10.92
Dec. 31, 2009	10.33	0.51	(0.07)	0.11	0.29	0.84	(0.43)	–	(0.02)	–	(0.45)	10.77
Series O												
June 30, 2014	10.48	0.18	–	0.04	0.31	0.53	(0.19)	–	–	–	(0.19)	10.82
Dec. 31, 2013	11.00	0.38	(0.01)	–	(0.44)	(0.07)	(0.38)	–	(0.07)	–	(0.45)	10.47
Dec. 31, 2012	11.20	0.41	(0.01)	0.29	(0.26)	0.43	(0.40)	–	(0.23)	–	(0.63)	11.00
Dec. 31, 2011	10.76	0.42	(0.01)	0.25	0.29	0.95	(0.41)	–	(0.08)	–	(0.49)	11.20
Dec. 31, 2010	10.61	0.45	(0.01)	0.18	0.12	0.74	(0.45)	–	(0.15)	–	(0.60)	10.76
Dec. 31, 2009	10.16	0.50	(0.01)	0.13	0.26	0.88	(0.47)	–	(0.02)	–	(0.49)	10.61

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	11.03	6 121	555	1.15	1.15	245.43	—
Dec. 31, 2013	10.68	6 327	593	1.15	1.15	316.19	—
Dec. 31, 2012	11.21	8 260	737	1.15	1.15	255.12	—
Dec. 31, 2011	11.41	7 889	692	1.16	1.16	162.93	—
Dec. 31, 2010	10.97	5 272	481	1.13	1.13	149.79	—
Dec. 31, 2009	10.83	1 571	145	1.16 ⁴	1.30	109.91	—
Advisor Series							
June 30, 2014	11.03	3 789	344	1.15	1.15	245.43	—
Dec. 31, 2013	10.68	4 296	402	1.15	1.15	316.19	—
Dec. 31, 2012	11.21	4 199	375	1.15	1.15	255.12	—
Dec. 31, 2011	11.41	2 346	206	1.16	1.16	162.93	—
Dec. 31, 2010 ⁵	10.97	—	—	1.13	1.13	149.79	—
Series D							
June 30, 2014	10.95	18 769	1 714	0.60	0.60	245.43	—
Dec. 31, 2013	10.60	17 931	1 691	0.60	0.60	316.19	—
Dec. 31, 2012	11.14	22 251	1 998	0.61	0.61	255.12	—
Dec. 31, 2011	11.34	21 546	1 900	0.62	0.62	162.93	—
Dec. 31, 2010	10.90	20 990	1 926	0.60	0.60	149.79	—
Dec. 31, 2009	10.76	18 209	1 693	0.65 ⁴	0.65	109.91	—
Series F							
June 30, 2014	10.99	4 469	407	0.61	0.61	245.43	—
Dec. 31, 2013	10.64	4 060	382	0.61	0.61	316.19	—
Dec. 31, 2012	11.18	3 808	341	0.61	0.61	255.12	—
Dec. 31, 2011	11.38	3 467	305	0.61	0.61	162.93	—
Dec. 31, 2010	10.94	3 215	294	0.61	0.61	149.79	—
Dec. 31, 2009	10.79	830	77	0.65 ⁴	0.73	109.91	—
Series O							
June 30, 2014	10.82	114 832	10 611	0.06	0.06	245.43	—
Dec. 31, 2013	10.48	113 627	10 840	0.06	0.06	316.19	—
Dec. 31, 2012	11.01	108 817	9 882	0.06	0.06	255.12	—
Dec. 31, 2011	11.21	98 386	8 774	0.06	0.06	162.93	—
Dec. 31, 2010	10.78	100 103	9 290	0.06	0.06	149.79	—
Dec. 31, 2009	10.62	93 193	8 772	0.09 ⁴	0.09	109.91	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.11%, Series D – 0.58%, Series F – 0.58%, Series O – 0.06%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.00%	50%	50%
Advisor Series	1.00%	50%	50%
Series D	0.50%	30%	70%
Series F	0.50%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

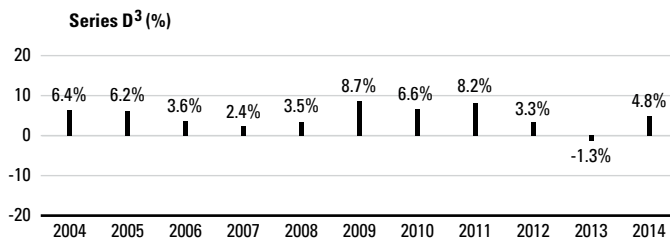
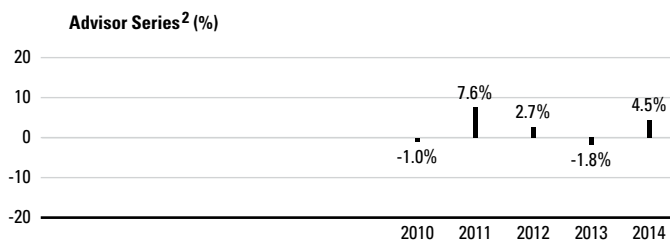
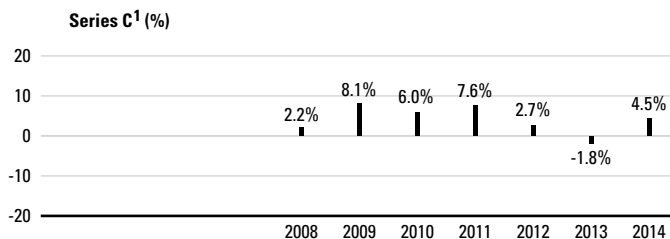
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

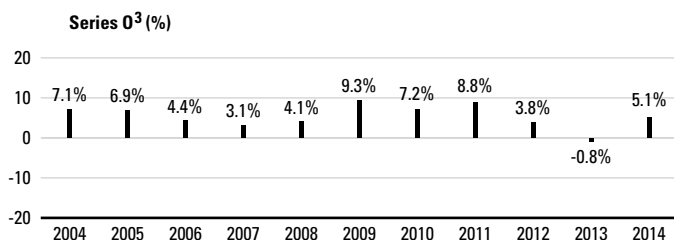
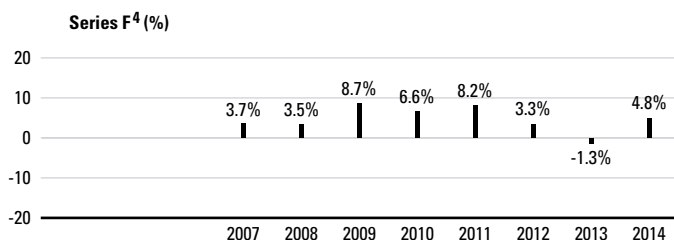
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date September 2002.

⁴ Inception date June 2007.

Series D was known as Series A prior to November 17, 2008. Although the Fund was prospectused in August 2002, Series A and Series O units were not offered for sale until September 2002. We are therefore not permitted to disclose performance data for this Fund for any period prior to September 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Corporate Bonds	39.6
Provincial Bonds	32.3
Federal Bonds	16.2
Municipal Bonds	0.4
Cash/Other	11.5

Top 25 Holdings

	% of Net Asset Value
Cash & Cash Equivalents	10.9
Canada Housing Trust No. 1 1.950% Jun 15 19	4.8
Province of Ontario 6.500% Mar 8 29	4.7
Province of Ontario 7.600% Jun 2 27	3.7
Canada Housing Trust No. 1 3.800% Jun 15 21	3.0
Province of Ontario 3.450% Jun 2 45	2.4
Province of Ontario 5.600% Jun 2 35	2.2
Province of Ontario 4.650% Jun 2 41	2.2
Province of Ontario 4.000% Jun 2 21	2.1
Province of Quebec 8.500% Apr 1 26	1.8
Canadian Imperial Bank of Commerce 1.750% Jun 1 16	1.8
Canada Housing Trust No. 1 4.100% Dec 15 18	1.7
Province of Ontario 8.100% Sep 8 23	1.6
Government of Canada 1.750% Mar 1 19	1.6
Bank of Nova Scotia 2.100% Nov 8 16	1.4
Province of Ontario 8.500% Dec 2 25	1.4
Bank of Montreal 3.490% Jun 10 16	1.4
Province of Ontario 4.600% Jun 2 39	1.3
Government of Canada 2.250% Aug 1 14	1.3
Province of Ontario 3.500% Jun 2 24	1.2
Province of Ontario 6.200% Jun 2 31	1.1
Province of Ontario 5.850% Mar 8 33	1.1
Royal Bank of Canada 2.260% Mar 12 18	1.1
Ontario Electricity Financial Corp. 8.250% Jun 22 26	1.0
Canada Housing Trust No. 1 3.350% Dec 15 20	1.0
Top 25 Holdings	57.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
TOTAL RETURN BOND FUND**

June 30, 2014

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

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. Through a mix of interest income and capital appreciation, the Fund aims to provide a competitive rate of return while controlling the interest rate and credit risks to which it is exposed. To achieve the Fund's investment objective, we invest primarily in medium- to high-quality corporate bonds and government bonds of Canadian, U.S. and other foreign issuers. The Fund may also invest in asset-backed commercial paper to enhance its return (the Fund's weighting in high-yield bonds is generally restricted to a maximum of 20% of its total assets). The average term to maturity of the portfolio is managed within strict guidelines, and typically falls between seven and 12 years.

Results of Operations

The Fund's net asset value was \$2.8 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 4.9%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

At the beginning of the year, the portfolio manager felt that interest rates were close to their fair value, given the environment of slow economic growth, strife with political risks and market imbalances. The Fund began the year with a neutral position on interest rates relative to its benchmark, the FTSE TMX Canada Universe Bond Index. As interest rates declined in January, the portfolio manager felt that yields had become unsustainably low, and shifted the positioning of the Fund in anticipation that interest rates would rise from those levels. Interest rates continued to fall (marginally) for the remainder of the first half of the year, which led to strong returns for the Fund and bond markets in general. The Fund's tactical interest-rate positioning was slightly accretive to performance.

The portfolio manager continued to hold an overweight position in corporate bonds in the first half of the year, due to their attractive yield premium over federal government bonds and a sound fundamental environment. The Fund's corporate bonds were a strong source of performance. The yield premium fell slightly over the first half and corporate fundamentals, while still sound, became marginally less compelling. Accordingly, the overweight position in corporate bonds was reduced to a modest level. The portfolio manager found the yield premium of provincial bonds more compelling, and

maintained a more meaningful overweight position (when compared to the benchmark) in that sector over the first half. Provincial bonds were also accretive to performance.

Recent Developments

With the U.S. Federal Reserve's planned tapering of its quantitative easing program underway, and North American economic expansion expected to continue, the portfolio manager feels that the most likely direction for interest rates is upwards, although the timing of such a shift is difficult to predict. Corporate bond premiums, both investment-grade and high-yield, have tightened to their lowest levels since the credit crisis, and present a risk of widening should the strong investor demand for yield subside.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series, Series H and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	11.12	0.21	(0.07)	0.06	0.29	0.49	(0.15)	–	–	–	(0.15)	11.48
Dec. 31, 2013	11.69	0.43	(0.13)	0.05	(0.54)	(0.19)	(0.31)	–	(0.09)	–	(0.40)	11.11
Dec. 31, 2012	11.62	0.45	(0.14)	0.07	–	0.38	(0.32)	–	–	–	(0.32)	11.69
Dec. 31, 2011	11.18	0.48	(0.13)	0.18	0.29	0.82	(0.35)	–	(0.04)	–	(0.39)	11.62
Dec. 31, 2010	11.05	0.48	(0.12)	0.19	0.12	0.67	(0.35)	–	(0.17)	–	(0.52)	11.18
Dec. 31, 2009	10.50	0.57	(0.12)	0.18	0.27	0.90	(0.46)	–	(0.10)	–	(0.56)	11.05
Advisor Series												
June 30, 2014	11.13	0.21	(0.07)	0.06	0.29	0.49	(0.15)	–	–	–	(0.15)	11.48
Dec. 31, 2013	11.69	0.43	(0.13)	0.05	(0.54)	(0.19)	(0.31)	–	(0.09)	–	(0.40)	11.11
Dec. 31, 2012	11.62	0.45	(0.14)	0.07	–	0.38	(0.32)	–	–	–	(0.32)	11.69
Dec. 31, 2011	11.18	0.48	(0.13)	0.18	0.29	0.82	(0.35)	–	(0.04)	–	(0.39)	11.62
Dec. 31, 2010 ³	11.52 [†]	0.08	(0.02)	0.03	0.02	0.11	(0.05)	–	(0.17)	–	(0.22)	11.18
Series H												
June 30, 2014	11.13	0.21	(0.06)	0.06	0.29	0.50	(0.15)	–	–	–	(0.15)	11.49
Dec. 31, 2013 ⁴	11.79 [†]	0.30	(0.08)	0.03	(0.37)	(0.12)	(0.24)	–	(0.09)	–	(0.33)	11.12
Series D												
June 30, 2014	11.12	0.21	(0.03)	0.06	0.29	0.53	(0.18)	–	–	–	(0.18)	11.47
Dec. 31, 2013	11.68	0.43	(0.07)	0.05	(0.54)	(0.13)	(0.38)	–	(0.09)	–	(0.47)	11.10
Dec. 31, 2012	11.61	0.46	(0.07)	0.07	–	0.46	(0.38)	–	–	–	(0.38)	11.68
Dec. 31, 2011	11.18	0.48	(0.06)	0.18	0.29	0.89	(0.43)	–	(0.04)	–	(0.47)	11.61
Dec. 31, 2010	11.03	0.48	(0.06)	0.19	0.12	0.73	(0.40)	–	(0.17)	–	(0.57)	11.18
Dec. 31, 2009	10.48	0.58	(0.06)	0.20	0.44	1.16	(0.51)	–	(0.10)	–	(0.61)	11.03
Series F												
June 30, 2014	11.13	0.21	(0.03)	0.06	0.29	0.53	(0.18)	–	–	–	(0.18)	11.49
Dec. 31, 2013	11.70	0.44	(0.07)	0.05	(0.54)	(0.12)	(0.38)	–	(0.09)	–	(0.47)	11.12
Dec. 31, 2012	11.62	0.45	(0.07)	0.07	–	0.45	(0.38)	–	–	–	(0.38)	11.70
Dec. 31, 2011	11.20	0.48	(0.07)	0.18	0.29	0.88	(0.43)	–	(0.04)	–	(0.47)	11.62
Dec. 31, 2010	11.05	0.48	(0.07)	0.19	0.12	0.72	(0.40)	–	(0.17)	–	(0.57)	11.20
Dec. 31, 2009	10.50	0.56	(0.06)	0.19	0.31	1.00	(0.51)	–	(0.10)	–	(0.61)	11.05
Series I												
June 30, 2014	11.14	0.21	(0.03)	0.06	0.29	0.53	(0.18)	–	–	–	(0.18)	11.50
Dec. 31, 2013 ⁴	11.80 [†]	0.30	(0.04)	0.03	(0.38)	(0.09)	(0.29)	–	(0.09)	–	(0.38)	11.12

FINANCIAL HIGHLIGHTS (cont.)

Change in Net Assets Per Unit (\$) (cont.)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series O												
June 30, 2014	11.06	0.21	–	0.06	0.29	0.56	(0.21)	–	–	–	(0.21)	11.42
Dec. 31, 2013	11.62	0.43	–	0.05	(0.54)	(0.06)	(0.44)	–	(0.09)	–	(0.53)	11.05
Dec. 31, 2012	11.54	0.45	–	0.07	–	0.52	(0.44)	–	–	–	(0.44)	11.62
Dec. 31, 2011	11.12	0.48	–	0.18	0.29	0.95	(0.49)	–	(0.04)	–	(0.53)	11.54
Dec. 31, 2010	10.99	0.47	–	0.19	0.12	0.78	(0.47)	–	(0.17)	–	(0.64)	11.12
Dec. 31, 2009	10.45	0.58	–	0.20	0.46	1.24	(0.58)	–	(0.10)	–	(0.68)	10.99

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

⁴ From April 2013.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	11.48	148 669	12 950	1.16	1.16	297.38	–
Dec. 31, 2013	11.12	172 400	15 497	1.16	1.16	283.61	–
Dec. 31, 2012	11.70	253 997	21 710	1.16	1.16	207.49	–
Dec. 31, 2011	11.63	218 565	18 788	1.16	1.16	123.09	–
Dec. 31, 2010	11.20	190 033	16 969	1.14	1.14	136.37	–
Dec. 31, 2009	11.07	108 239	9 778	1.11 ⁴	1.13	84.61	–
Advisor Series							
June 30, 2014	11.48	84 079	7 324	1.16	1.16	297.38	–
Dec. 31, 2013	11.13	98 849	8 885	1.16	1.16	283.61	–
Dec. 31, 2012	11.70	120 449	10 295	1.16	1.16	207.49	–
Dec. 31, 2011	11.63	45 403	3 903	1.16	1.16	123.09	–
Dec. 31, 2010 ⁵	11.20	2 800	250	1.14	1.14	136.37	–
Series H							
June 30, 2014	11.49	4 187	364	1.08	1.08	297.38	–
Dec. 31, 2013 ⁶	11.13	1 282	115	1.09	1.09	283.61	–
Series D							
June 30, 2014	11.47	495 223	43 162	0.59	0.59	297.38	–
Dec. 31, 2013	11.12	487 125	43 821	0.59	0.59	283.61	–
Dec. 31, 2012	11.69	725 163	62 034	0.60	0.60	207.49	–
Dec. 31, 2011	11.62	804 147	69 210	0.60	0.60	123.09	–
Dec. 31, 2010	11.20	826 458	73 803	0.58	0.58	136.37	–
Dec. 31, 2009	11.05	874 988	79 151	0.57 ⁴	0.57	84.61	–

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data (cont.)

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2014	11.49	318 224	27 698	0.61	0.61	297.38	—
Dec. 31, 2013	11.13	334 696	30 066	0.61	0.61	283.61	—
Dec. 31, 2012	11.71	320 752	27 394	0.61	0.61	207.49	—
Dec. 31, 2011	11.64	223 472	19 202	0.61	0.61	123.09	—
Dec. 31, 2010	11.22	156 757	13 977	0.60	0.60	136.37	—
Dec. 31, 2009	11.07	79 581	7 187	0.58 ⁴	0.59	84.61	—
Series I							
June 30, 2014	11.50	15 760	1 370	0.50	0.50	297.38	—
Dec. 31, 2013 ⁶	11.14	8 257	741	0.50	0.50	283.61	—
Series O							
June 30, 2014	11.42	1 722 880	150 893	0.02	0.02	297.38	—
Dec. 31, 2013	11.06	1 526 426	137 995	0.02	0.02	283.61	—
Dec. 31, 2012	11.63	1 494 742	128 536	0.02	0.02	207.49	—
Dec. 31, 2011	11.56	1 249 599	108 130	0.02	0.02	123.09	—
Dec. 31, 2010	11.14	1 263 961	113 481	0.02	0.02	136.37	—
Dec. 31, 2009	11.01	1 285 874	116 803	0.02 ⁴	0.02	84.61	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.10%, Series D – 0.57%, Series F – 0.58%, Series O – 0.02%.

⁵ From October 2010.

⁶ From April 2013.

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund.

Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.00%	50%	50%
Advisor Series	1.00%	50%	50%
Series H	0.90%	56%	44%
Series D	0.50%	30%	70%
Series F	0.50%	—	100%
Series I	0.40%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

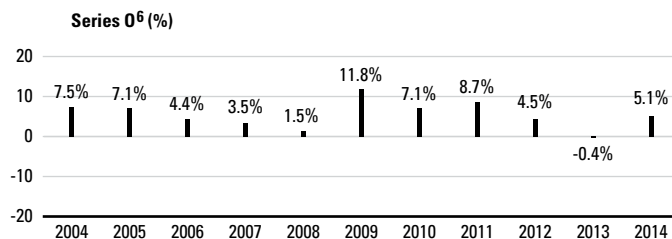
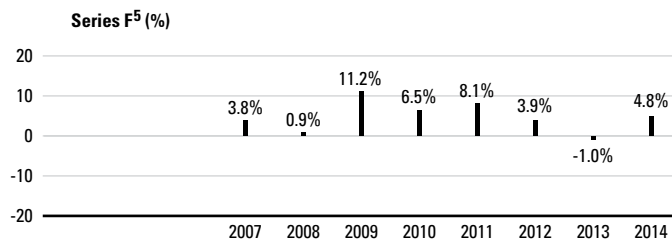
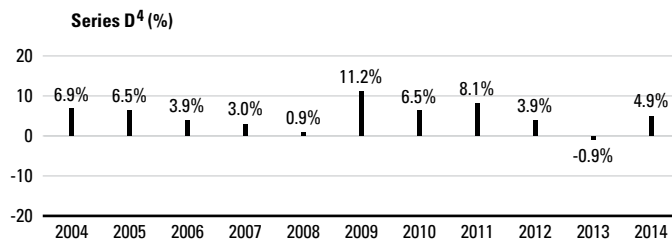
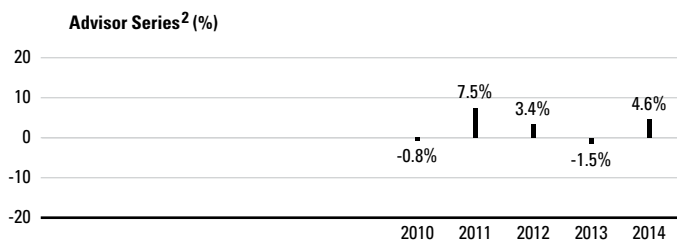
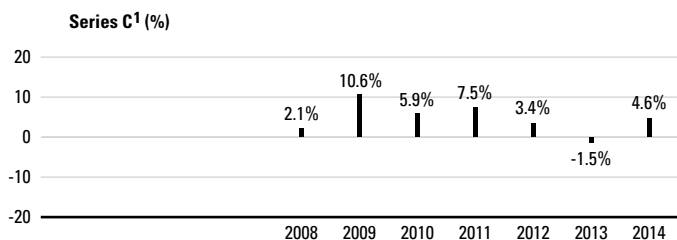
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date April 2013.

⁴ Inception date July 2000.

⁵ Inception date June 2007.

⁶ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008. Although Series A units of the Fund were created in June 2000, units were not offered for sale under a Simplified Prospectus until July 2000. We are therefore not permitted to disclose performance data for this Fund for any period prior to July 2000.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Corporate Bonds	48.1
Provincial Bonds	31.1
Federal Bonds	12.4
Municipal Bonds	0.4
Mortgages	0.3
Cash/Other	7.7

Top 25 Holdings

	% of Net Asset Value
Long Positions:	
Canada Housing Trust No. 1 1.950% Jun 15 19	5.5
Cash & Cash Equivalents	5.4
Province of Ontario 6.500% Mar 8 29	4.7
Province of Ontario 7.600% Jun 2 27	3.5
Phillips, Hager & North High Yield Bond Fund	3.1
Province of Ontario 3.450% Jun 2 45	2.4
Province of Ontario 5.600% Jun 2 35	2.2
Province of Ontario 4.650% Jun 2 41	2.2
Province of Ontario 8.100% Sep 8 23	2.1
Canada Housing Trust No. 1 4.100% Dec 15 18	1.9
Bank of Nova Scotia 2.100% Nov 8 16	1.9
Canada Housing Trust No. 1 3.800% Jun 15 21	1.7
Province of Ontario 3.500% Jun 2 24	1.6
United States 10-Year Note Future, September 2014	1.6
Province of Ontario 4.600% Jun 2 39	1.5
Province of Quebec 8.500% Apr 1 26	1.4
Royal Bank of Canada 2.680% Dec 8 16	1.3
Bank of Montreal 3.490% Jun 10 16	1.3
Province of Ontario 6.200% Jun 2 31	1.2
Province of Ontario 5.850% Mar 8 33	1.1
Ontario Electricity Financial Corp. 8.250% Jun 22 26	1.0
Province of Ontario 8.500% Dec 2 25	1.0
Royal Bank of Canada 2.580% Apr 13 17	1.0
Canadian Imperial Bank of Commerce 1.750% Jun 1 16	1.0
Total Long	51.6
Short Positions:	
Euro-Bund Future, September 2014	(1.2)
Total Short	(1.2)

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
INFLATION-LINKED BOND FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to generate inflation-protected interest income to help investors preserve their real (or inflation-adjusted) purchasing power over the long term. To achieve the Fund's investment objective, we invest primarily in real return bonds and inflation-linked bonds issued or guaranteed by Canadian and foreign governments and corporations, including Canadian Real Return Bonds ("RRBs") and U.S. issued Treasury Inflation Protected Securities ("TIPs").

Results of Operations

The Fund's net asset value was \$67.1 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 10.8%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

The Fund posted a very strong performance in the first half of 2014 as real yields retreated back into the low zone – below 1%. While it is tempting to celebrate the short-term performance boost that retreating yields bring, it is important to remember that longer-term returns become harder to achieve given the low-yield starting point. It is also worth remembering that movements in real yields, when up instead of down, cause a short-term performance setback for real return bonds, similar to what was experienced in 2013.

The Fund's long duration makes it especially sensitive to fluctuations in real yields over shorter periods. The portfolio manager has witnessed this whip-saw effect in quarterly returns, particularly in the past two years. Within the Fund, the portfolio manager took active positions in provincial issues, managed the Fund's duration around the benchmark, and used other strategies (such as small positions in nominal bonds where they thought the inflation expectation built into the nominal yield was attractive), but none of these strategies eliminate the powerful effects of fluctuating real yield levels. Short-term fluctuations notwithstanding, there is an expectation that real yields will eventually rise over time. This would likely result in longer-term returns being much more modest than in the past.

Recent Developments

The decrease in real interest rates in the first half of 2014 took them below where the portfolio manager believes they should be over the longer term. Real yields are low by historical standards and below Canada's expected economic growth rate, and the portfolio manager expects ultimately that they will continue to rise. Given the long duration of this asset class, this could lead to meaningful negative performance in the short term.

Related-Party Transactions**Manager and Portfolio Advisor**

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.24	0.40	(0.05)	(0.77)	0.95	0.53	(0.17)	–	–	–	(0.17)	11.15
Dec. 31, 2013	12.54	0.54	(0.11)	(1.75)	(0.48)	(1.80)	(0.53)	–	–	–	(0.53)	10.23
Dec. 31, 2012	12.76	0.56	(0.12)	0.02	(0.22)	0.24	(0.46)	–	–	–	(0.46)	12.54
Dec. 31, 2011	11.34	0.53	(0.11)	0.38	1.10	1.90	(0.44)	–	–	–	(0.44)	12.76
Dec. 31, 2010	10.76	0.41	(0.10)	0.22	0.67	1.20	(0.31)	–	(0.21)	–	(0.52)	11.34
Dec. 31, 2009 ³	10.00 [†]	0.12	(0.05)	0.07	0.76	0.90	(0.04)	–	(0.01)	–	(0.05)	10.76
Advisor Series												
June 30, 2014	10.24	0.40	(0.05)	(0.77)	0.95	0.53	(0.17)	–	–	–	(0.17)	11.15
Dec. 31, 2013	12.54	0.51	(0.11)	(1.67)	(0.46)	(1.73)	(0.53)	–	–	–	(0.53)	10.22
Dec. 31, 2012	12.76	0.56	(0.12)	0.02	(0.22)	0.24	(0.46)	–	–	–	(0.46)	12.54
Dec. 31, 2011	11.34	0.53	(0.11)	0.38	1.10	1.90	(0.44)	–	–	–	(0.44)	12.76
Dec. 31, 2010 ⁴	11.69 [†]	0.08	(0.02)	0.04	0.11	0.21	(0.16)	–	(0.21)	–	(0.37)	11.34
Series D												
June 30, 2014	10.29	0.40	(0.03)	(0.77)	0.96	0.56	(0.20)	–	–	–	(0.20)	11.20
Dec. 31, 2013	12.61	0.54	(0.06)	(1.78)	(0.49)	(1.79)	(0.59)	–	–	–	(0.59)	10.27
Dec. 31, 2012	12.84	0.57	(0.07)	0.02	(0.23)	0.29	(0.52)	–	–	–	(0.52)	12.61
Dec. 31, 2011	11.37	0.53	(0.06)	0.38	1.10	1.95	(0.46)	–	–	–	(0.46)	12.84
Dec. 31, 2010	10.76	0.40	(0.06)	0.22	0.70	1.26	(0.32)	–	(0.21)	–	(0.53)	11.37
Dec. 31, 2009 ³	10.00 [†]	0.14	(0.03)	0.07	0.70	0.88	(0.05)	–	(0.01)	–	(0.06)	10.76
Series F												
June 30, 2014	10.27	0.40	(0.02)	(0.77)	0.95	0.56	(0.21)	–	–	–	(0.21)	11.17
Dec. 31, 2013	12.60	0.55	(0.04)	(1.78)	(0.49)	(1.76)	(0.61)	–	–	–	(0.61)	10.25
Dec. 31, 2012	12.82	0.57	(0.05)	0.02	(0.22)	0.32	(0.54)	–	–	–	(0.54)	12.60
Dec. 31, 2011	11.36	0.53	(0.04)	0.38	1.10	1.97	(0.48)	–	–	–	(0.48)	12.82
Dec. 31, 2010	10.77	0.44	(0.04)	0.21	0.66	1.27	(0.33)	–	(0.24)	–	(0.57)	11.36
Dec. 31, 2009 ³	10.00 [†]	0.11	(0.02)	0.07	0.72	0.88	(0.05)	–	(0.01)	–	(0.06)	10.77

FINANCIAL HIGHLIGHTS (cont.)

Change in Net Assets Per Unit (\$) (cont.)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series O												
June 30, 2014	10.35	0.40	–	(0.77)	0.96	0.59	(0.23)	–	–	–	(0.23)	11.27
Dec. 31, 2013	12.69	0.57	–	(1.85)	(0.51)	(1.79)	(0.65)	–	–	–	(0.65)	10.34
Dec. 31, 2012	12.91	0.57	–	0.02	(0.23)	0.36	(0.58)	–	–	–	(0.58)	12.69
Dec. 31, 2011	11.44	0.54	–	0.39	1.11	2.04	(0.52)	–	–	–	(0.52)	12.91
Dec. 31, 2010	10.78	0.45	–	0.20	0.61	1.26	(0.33)	–	(0.21)	–	(0.54)	11.44
Dec. 31, 2009 ³	10.00 [†]	0.11	–	0.07	0.71	0.89	(0.06)	–	(0.01)	–	(0.07)	10.78

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2009.

⁴ From October 2010.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	11.15	21 764	1 951	0.93	0.93	809.05	–
Dec. 31, 2013	10.24	26 592	2 597	0.93	0.93	496.60	–
Dec. 31, 2012	12.57	72 950	5 803	0.93	0.93	86.81	–
Dec. 31, 2011	12.77	81 511	6 383	0.93	0.93	93.37	–
Dec. 31, 2010	11.35	52 550	4 631	0.92	0.92	91.58	–
Dec. 31, 2009 ⁴	10.77	18 586	1 726	0.90	0.90	60.74	–
Advisor Series							
June 30, 2014	11.15	2 411	216	0.93	0.93	809.05	–
Dec. 31, 2013	10.24	3 123	305	0.93	0.93	496.60	–
Dec. 31, 2012	12.57	7 069	562	0.93	0.93	86.81	–
Dec. 31, 2011	12.77	4 474	350	0.93	0.93	93.37	–
Dec. 31, 2010 ⁵	11.35	624	55	0.92	0.92	91.58	–
Series D							
June 30, 2014	11.20	15 991	1 428	0.55	0.55	809.05	–
Dec. 31, 2013	10.29	15 575	1 514	0.55	0.55	496.60	–
Dec. 31, 2012	12.64	34 751	2 749	0.55	0.55	86.81	–
Dec. 31, 2011	12.85	37 723	2 936	0.56	0.56	93.37	–
Dec. 31, 2010	11.38	16 317	1 433	0.55	0.55	91.58	–
Dec. 31, 2009 ⁴	10.77	9 168	851	0.53	0.53	60.74	–

FINANCIAL HIGHLIGHTS (cont.)**Ratios and Supplemental Data (cont.)**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2014	11.17	8 983	804	0.39	0.39	809.05	—
Dec. 31, 2013	10.27	12 557	1 223	0.39	0.39	496.60	—
Dec. 31, 2012	12.63	25 030	1 982	0.39	0.39	86.81	—
Dec. 31, 2011	12.83	26 677	2 079	0.39	0.39	93.37	—
Dec. 31, 2010	11.37	30 840	2 713	0.38	0.38	91.58	—
Dec. 31, 2009 ⁴	10.78	9 536	885	0.38	0.38	60.74	—
Series O							
June 30, 2014	11.27	17 982	1 596	0.03	0.03	809.05	—
Dec. 31, 2013	10.35	26 918	2 600	0.02	0.02	496.60	—
Dec. 31, 2012	12.73	30 534	2 400	0.02	0.02	86.81	—
Dec. 31, 2011	12.93	40 019	3 096	0.02	0.02	93.37	—
Dec. 31, 2010	11.45	44 855	3 917	0.02	0.02	91.58	—
Dec. 31, 2009 ⁴	10.79	6 180	573	0.03	0.03	60.74	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2009.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	0.80%	62%	38%
Advisor Series	0.80%	62%	38%
Series D	0.45%	33%	67%
Series F	0.30%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

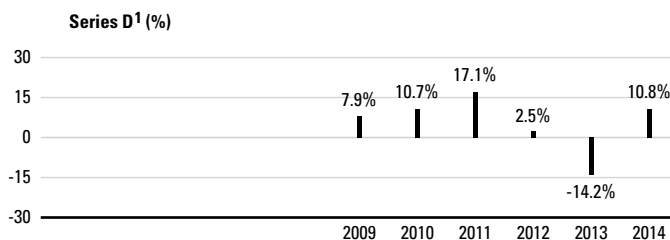
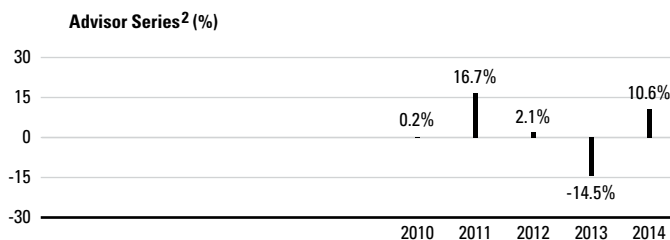
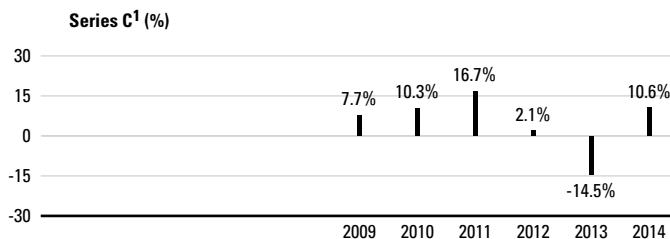
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

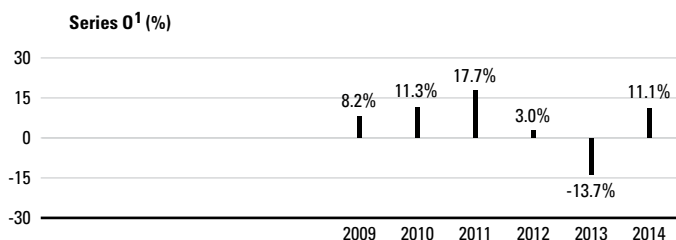
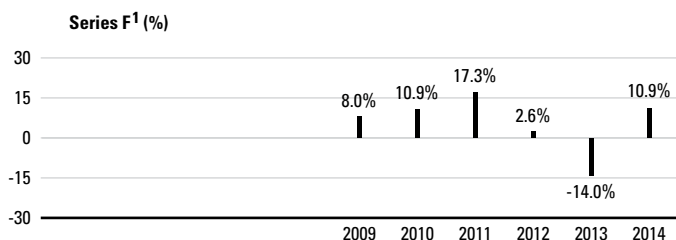
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date June 2009.

² Inception date October 2010.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Federal Bonds	81.3
Provincial Bonds	17.9
Corporate Bonds	0.9
Cash/Other	-0.1

Top 25 Holdings*

	% of Net Asset Value
Government of Canada 4.250% Dec 1 26	34.8
Government of Canada 1.250% Dec 1 47	13.9
Government of Canada 4.000% Dec 1 31	13.1
Government of Canada 1.500% Dec 1 44	11.1
Province of Quebec 4.250% Dec 1 31	6.9
Government of Canada 3.000% Dec 1 36	6.8
Province of Ontario 2.000% Dec 1 36	6.7
Province of Quebec 4.500% Dec 1 26	3.1
Government of Canada 3.500% Dec 1 45	1.2
Province of Quebec 4.500% Dec 1 21	1.2
Teranet Holdings LP 3.270% Dec 1 31	0.9
Government of Canada 2.000% Dec 1 41	0.2
Government of Canada 4.250% Dec 1 21	0.1
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
HIGH YIELD BOND FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. In addition, we may also invest in asset backed commercial paper. The average term to maturity of the portfolio is managed within strict guidelines, typically between three and 10 years.

The investment objectives of the Fund set out above became effective on November 28, 2011 pursuant to receiving unitholder approval for a change in the investment objectives of the Fund.

Results of Operations

The Fund's net asset value was \$3.3 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 4.3%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

Returns for high-yield bonds remained strong in the second quarter of 2014 as a surprising further decline in government bond yields, along with strong inflows into the high-yield asset class, drove high-yield bond prices higher – despite ongoing geopolitical concerns and growing anxiety over future monetary policy changes. Despite an extremely defensive portfolio, the Fund continued to benefit from the overall positive tone in high-yield bonds, generating another solid return despite low levels of risk.

Currently, the broad high-yield bond index yields a record low of 4.85% (including very low quality "CCC-rated" bonds in the index). Focusing on the better quality portion of the high-yield bond market, average yields are now in the 4.25 – 4.50% range which is very low by historical standards. Although fundamentals in terms of corporate-defaults remain strong, signs of more aggressive lending are prevalent and may be a prelude to an upturn in defaults in the next year or two. In the portfolio manager's view, the high-yield market appears fully valued now, with limited upside, while the risks of a sell-off in the next year appear to be increasing with the approach of the onset of real U.S. Federal Reserve (the "Fed") tightening (perhaps by the middle of 2015). In the interim, low-duration, high-quality high yield may continue to be a relatively attractive corner of the bond market if one must invest in fixed income securities and interest rate risk is of paramount concern.

Recent Developments

With the Fed's planned tapering of its quantitative easing program underway, and North American economic expansion expected to continue, the portfolio manager feels that the most likely direction for interest rates is upwards, although the timing of such a shift is difficult to predict. Corporate bond premiums, both investment-grade and high-yield, have tightened to their lowest levels since the credit crisis, and present a risk of widening should the strong investor demand for yield subside.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	12.18	0.40	(0.09)	0.03	0.14	0.48	(0.26)	–	–	–	(0.26)	12.40
Dec. 31, 2013	12.19	0.76	(0.18)	0.02	(0.06)	0.54	(0.58)	–	–	–	(0.58)	12.14
Dec. 31, 2012	11.75	0.76	(0.17)	0.24	0.33	1.16	(0.59)	–	(0.14)	–	(0.73)	12.19
Dec. 31, 2011	11.87	0.81	(0.16)	(0.07)	(0.08)	0.50	(0.62)	–	–	–	(0.62)	11.75
Dec. 31, 2010	11.63	0.74	(0.17)	0.56	(0.06)	1.07	(0.51)	–	(0.41)	–	(0.92)	11.87
Dec. 31, 2009	10.43	0.64	(0.16)	0.25	0.91	1.64	(0.44)	–	(0.05)	–	(0.49)	11.63
Advisor Series												
June 30, 2014	12.18	0.40	(0.09)	0.03	0.14	0.48	(0.26)	–	–	–	(0.26)	12.40
Dec. 31, 2013	12.19	0.67	(0.18)	0.01	(0.06)	0.44	(0.58)	–	–	–	(0.58)	12.14
Dec. 31, 2012	11.75	0.76	(0.17)	0.24	0.33	1.16	(0.59)	–	(0.14)	–	(0.73)	12.19
Dec. 31, 2011	11.87	0.81	(0.16)	(0.07)	(0.08)	0.50	(0.62)	–	–	–	(0.62)	11.75
Dec. 31, 2010 ³	12.45 [†]	0.12	(0.03)	0.09	(0.01)	0.17	(0.18)	–	(0.41)	–	(0.59)	11.87
Series D												
June 30, 2014	12.06	0.39	(0.05)	0.03	0.14	0.51	(0.30)	–	–	–	(0.30)	12.27
Dec. 31, 2013	12.07	0.75	(0.11)	0.02	(0.06)	0.60	(0.65)	–	–	–	(0.65)	12.02
Dec. 31, 2012	11.64	0.75	(0.11)	0.24	0.33	1.21	(0.65)	–	(0.14)	–	(0.79)	12.07
Dec. 31, 2011	11.77	0.80	(0.10)	(0.07)	(0.08)	0.55	(0.68)	–	–	–	(0.68)	11.64
Dec. 31, 2010	11.51	0.75	(0.10)	0.56	(0.06)	1.15	(0.56)	–	(0.40)	–	(0.96)	11.77
Dec. 31, 2009	10.33	0.64	(0.10)	0.13	1.06	1.73	(0.50)	–	(0.05)	–	(0.55)	11.51
Series F												
June 30, 2014	12.12	0.40	(0.05)	0.03	0.14	0.52	(0.30)	–	–	–	(0.30)	12.34
Dec. 31, 2013	12.14	0.75	(0.11)	0.02	(0.06)	0.60	(0.65)	–	–	–	(0.65)	12.08
Dec. 31, 2012	11.70	0.76	(0.11)	0.24	0.33	1.22	(0.65)	–	(0.14)	–	(0.79)	12.14
Dec. 31, 2011	11.82	0.81	(0.10)	(0.07)	(0.08)	0.56	(0.68)	–	–	–	(0.68)	11.70
Dec. 31, 2010	11.57	0.74	(0.10)	0.56	(0.06)	1.14	(0.56)	–	(0.40)	–	(0.96)	11.82
Dec. 31, 2009	10.38	0.64	(0.10)	0.20	1.07	1.81	(0.50)	–	(0.05)	–	(0.55)	11.57
Series O												
June 30, 2014	11.64	0.38	–	0.03	0.14	0.55	(0.34)	–	–	–	(0.34)	11.85
Dec. 31, 2013	11.66	0.72	–	0.02	(0.06)	0.68	(0.73)	–	–	–	(0.73)	11.61
Dec. 31, 2012	11.24	0.73	–	0.23	0.32	1.28	(0.72)	–	(0.14)	–	(0.86)	11.66
Dec. 31, 2011	11.36	0.77	–	(0.07)	(0.08)	0.62	(0.75)	–	–	–	(0.75)	11.24
Dec. 31, 2010	11.15	0.71	–	0.53	(0.05)	1.19	(0.66)	–	(0.40)	–	(1.06)	11.36
Dec. 31, 2009	10.04	0.62	(0.01)	0.16	1.00	1.77	(0.60)	–	(0.05)	–	(0.65)	11.15

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	12.40	382 700	30 868	1.44	1.44	73.88	—
Dec. 31, 2013	12.18	404 326	33 203	1.44	1.44	100.39	—
Dec. 31, 2012	12.22	468 242	38 311	1.43	1.43	71.80	—
Dec. 31, 2011	11.79	453 278	38 439	1.43	1.43	68.79	—
Dec. 31, 2010	11.91	463 492	38 920	1.40	1.40	103.75	—
Dec. 31, 2009	11.67	215 381	18 460	1.40 ⁴	1.41	75.27	—
Advisor Series							
June 30, 2014	12.40	13 416	1 082	1.44	1.44	73.88	—
Dec. 31, 2013	12.18	13 651	1 121	1.44	1.44	100.39	—
Dec. 31, 2012	12.22	14 350	1 174	1.43	1.43	71.80	—
Dec. 31, 2011	11.79	10 757	912	1.43	1.43	68.79	—
Dec. 31, 2010 ⁵	11.91	6 979	586	1.40	1.40	103.75	—
Series D							
June 30, 2014	12.27	689 575	56 203	0.87	0.87	73.88	—
Dec. 31, 2013	12.06	665 058	55 152	0.87	0.87	100.39	—
Dec. 31, 2012	12.11	773 936	63 913	0.89	0.89	71.80	—
Dec. 31, 2011	11.68	741 101	63 428	0.89	0.89	68.79	—
Dec. 31, 2010	11.80	720 116	61 023	0.87	0.87	103.75	—
Dec. 31, 2009	11.55	526 971	45 626	0.87 ⁴	0.87	75.27	—
Series F							
June 30, 2014	12.34	259 081	21 003	0.88	0.88	73.88	—
Dec. 31, 2013	12.12	266 739	22 003	0.88	0.88	100.39	—
Dec. 31, 2012	12.17	335 285	27 545	0.89	0.89	71.80	—
Dec. 31, 2011	11.74	354 188	30 164	0.89	0.89	68.79	—
Dec. 31, 2010	11.86	354 476	29 896	0.87	0.87	103.75	—
Dec. 31, 2009	11.60	207 486	17 882	0.88 ⁴	0.88	75.27	—
Series O							
June 30, 2014	11.85	1 951 006	164 716	0.03	0.03	73.88	—
Dec. 31, 2013	11.64	1 939 348	166 580	0.03	0.03	100.39	—
Dec. 31, 2012	11.69	1 709 240	146 173	0.03	0.03	71.80	—
Dec. 31, 2011	11.29	1 393 589	123 477	0.03	0.03	68.79	—
Dec. 31, 2010	11.40	1 022 563	89 717	0.03	0.03	103.75	—
Dec. 31, 2009	11.19	471 953	42 175	0.05 ⁴	0.05	75.27	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.36%, Series D – 0.84%, Series F – 0.84%, Series O – 0.03%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.25%	40%	60%
Advisor Series	1.25%	40%	60%
Series D	0.75%	20%	80%
Series F	0.75%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

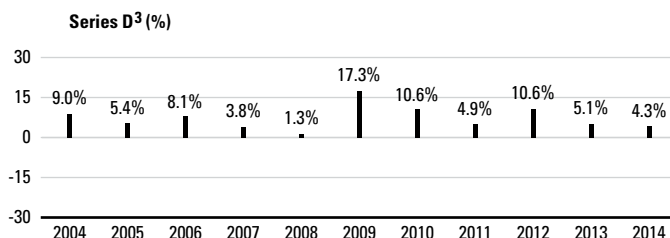
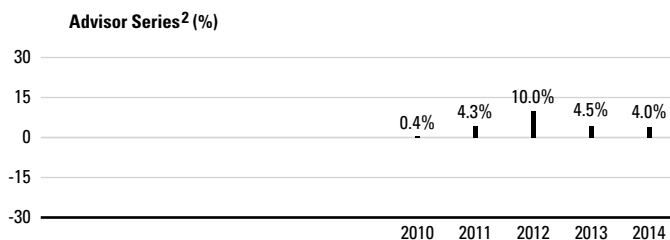
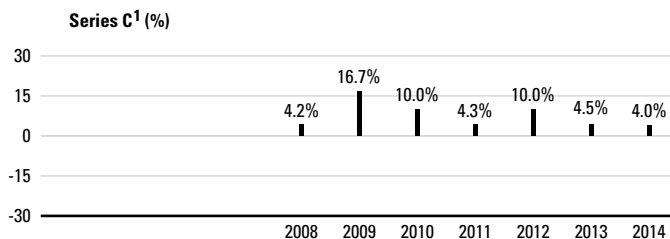
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

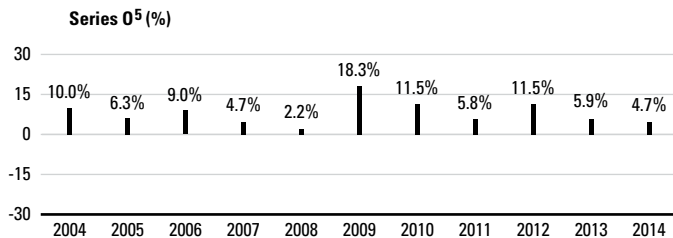
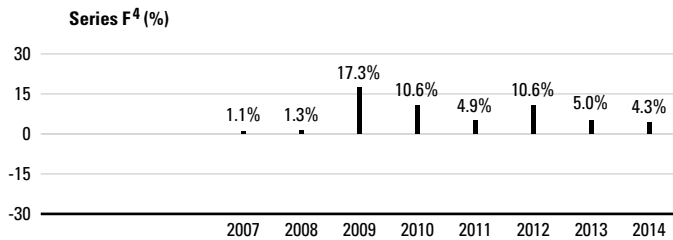
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date July 2000.

⁴ Inception date June 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008. Although Series A units of the Fund were created in June 2000, units were not offered for sale under a Simplified Prospectus until July 2000. We are therefore not permitted to disclose performance data for this Fund for any period prior to July 2000.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Corporate Bonds	93.7
Cash/Other	6.3

Top 25 Holdings

	% of Net Asset Value
Quebecor Media Inc. 6.625% Jan 15 23	5.9
HCA Holdings Inc. 7.750% May 15 21	4.6
CCO Holdings LLC 7.000% Jan 15 19	4.5
T-Mobile USA Inc. 6.625% Apr 1 23	3.9
CCO Holdings LLC 8.125% Apr 30 20	3.8
Cash & Cash Equivalents	3.7
Reynolds Group Issuer Inc. 7.125% Apr 15 19	3.6
Merrill Lynch & Co. Inc. CAD 5.290% May 30 22	3.5
Intelsat Jackson Holdings S.A. USD 7.250% Oct 15 20	3.3
Reynolds Group Issuer Inc. 6.875% Feb 15 21	2.8
CCO Holdings LLC 7.375% Jun 1 20	2.5
Quebecor Media Inc. 7.375% Jan 15 21	2.4
Reynolds Group Issuer Inc. 7.875% Aug 15 19	2.4
Virgin Media Finance Plc. USD 8.375% Oct 15 19	2.3
EP Energy LLC 6.875% May 1 19	2.3
Baytex Energy Corp. 6.625% Jul 19 22	2.2
Great Canadian Gaming Corp. 6.625% Jul 25 22	2.2
Trilogy Energy Corp. 7.250% Dec 13 19	2.1
Videotron Ltd. 7.125% Jan 15 20	1.9
Intelsat Jackson Holdings S.A. USD 7.500% Apr 1 21	1.9
Kruger Products LP 8.000% Aug 9 18	1.8
Newalta Corp. 7.750% Nov 14 19	1.7
Western Energy Services Corp. 7.875% Jan 30 19	1.7
Intelsat Jackson Holdings S.A. USD 7.250% Apr 1 19	1.6
The Goldman Sachs Group Inc. CAD 5.200% Apr 19 22	1.5
Top 25 Holdings	70.1

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH SHORT
INFLATION-LINKED BOND FUND**

June 30, 2014

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

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to generate 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.

To achieve the Fund's investment objectives, we invest primarily in the above-mentioned securities. The Fund's portfolio will include various shorter-term maturities that are intended to match shorter-term liabilities and to manage the interest-rate risk of the Phillips, Hager & North LifeTime Funds, which may hold the Fund in their portfolios.

Results of Operations

The Fund's net asset value was \$1.5 million as of June 30, 2014.

Over the past six months, the Fund's Series O units returned 7.3%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the unit, if any, which may vary because of differences in management fees and expenses.

Real return bonds ("RRBs") had a strong performance in the first half of 2014, which was in contrast to the poor performance in 2013, but consistent with the cycle of strong performance previous to 2013. Real interest rates declined substantially on weaker-than-anticipated U.S. economic data combined with an overly optimistic market at the start of the year. By the end of the reporting period, seven-year real yields had fallen approximately 80 basis points. The Fund only invests in the Government of Canada Real Return Bond which matures in 2021. The 2021 issue began the year with a real yield of 0.7% and then declined to -0.1% by June 30, resulting in the strong return for the Fund.

Recent Developments

The portfolio has only a single holding: the Government of Canada Real Return Bond with a coupon of 4.25% and maturing in 2021. The portfolio manager keeps the Fund fully invested in this bond. The Fund's performance will therefore depend entirely on the performance of this bond.

The portfolio manager believes that the current negative real interest rate of the 2021 RRB is not sustainable, and that real yields will ultimately rise.

Related-Party Transactions

Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a

management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹				Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series O												
June 30, 2014	9.74	0.30	–	(0.03)	0.37	0.64	–	–	–	–	–	10.45
Dec. 31, 2013	10.70	0.38	(0.04)	(0.04)	(0.98)	(0.68)	(0.34)	–	–	–	(0.34)	9.74
Dec. 31, 2012	10.85	0.41	–	–	(0.16)	0.25	(0.38)	–	–	–	(0.38)	10.70
Dec. 31, 2011 ³	10.00 [†]	0.52	–	–	0.84	1.36	(0.49)	–	–	–	(0.49)	10.85

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From January 2011.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series O							
June 30, 2014	10.45	1 527	146	0.02	0.21	12.32	–
Dec. 31, 2013	9.74	836	86	0.02	0.37	8.87	–
Dec. 31, 2012	10.72	469	44	0.02	1.12	0.65	–
Dec. 31, 2011 ⁴	10.85	216	20	0.02	2.08	–	–

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From January 2011.

Management Fees

RBC GAM is the manager, portfolio advisor and registrar of the Fund. No management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

**PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND**
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Federal Bonds	99.3
Cash/Other	0.7

Top 25 Holdings*

	% of Net Asset Value
Government of Canada 4.250% Dec 1 21	99.3
Cash & Cash Equivalents	0.7
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH LONG
INFLATION-LINKED BOND FUND**

June 30, 2014

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

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
MANAGEMENT DISCUSSION OF FUND PERFORMANCE
Investment Objective and Strategies

The Fund seeks to generate 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.

To achieve the Fund's investment objectives, we invest primarily in the above-mentioned securities. The Fund's portfolio will include various longer-term maturities that are intended to match longer-term liabilities and to manage the interest-rate risk of the Phillips, Hager & North LifeTime Funds, which may hold the Fund in their portfolios. The Fund may also invest in asset-backed securities, including mortgage-backed securities and may invest all or a portion of the Fund's assets in one or more securities as permitted by securities legislation.

Results of Operations

The Fund's net asset value was \$27.3 million as of June 30, 2014.

Over the past six months, the Fund's Series O units returned 14.2%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the unit, if any, which may vary because of differences in management fees and expenses.

Real return bonds had a strong performance in the first half of 2014, which was in contrast to the poor performance in 2013, but consistent with the cycle of strong performance previous to 2013. Real interest rates declined substantially due to weaker-than-anticipated U.S. economic data combined with an overly optimistic market, at the start of the year. By the end of the reporting period, 30-year real yields had fallen approximately 50 basis points. The Fund only invests in the Government of Canada Real Return Bond which matures in 2044. The 2044 issue began the year with a real yield of 1.3% and then declined to 0.8% by June 30, resulting in the strong return for the Fund.

Recent Developments

The portfolio has only a single holding: the Government of Canada Real Return Bond with a coupon of 1.5% and maturing in 2044. The portfolio manager keeps the Fund fully invested in this bond. The Fund's performance will therefore depend entirely on the performance of this bond.

The portfolio manager believes that real interest rates are low by historical standards and below Canada's expected economic growth rate, and expects ultimately that real yields will rise. Given the long duration of this asset class, this could lead to meaningful negative performance.

Related-Party Transactions
Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹				Annual Distributions ²				Net Assets End of Year/Period		
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains		Return of Capital	
Series 0												
June 30, 2014	9.91	0.24	–	–	1.10	1.34	–	–	–	–	–	11.32
Dec. 31, 2013	12.30	0.20	–	(0.04)	(2.27)	(2.11)	(0.15)	–	–	–	(0.15)	9.90
Dec. 31, 2012	12.04	0.25	–	0.05	0.23	0.53	(0.19)	–	(0.03)	–	(0.22)	12.30
Dec. 31, 2011 ³	10.00 [†]	0.40	–	0.27	2.39	3.06	(0.28)	–	(0.20)	–	(0.48)	12.04

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From January 2011.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series 0							
June 30, 2014	11.32	27 259	2 407	0.02	0.03	3.49	–
Dec. 31, 2013	9.91	19 047	1 921	0.02	0.04	3.95	–
Dec. 31, 2012	12.31	9 206	747	0.02	0.09	4.36	–
Dec. 31, 2011 ⁴	12.05	2 495	207	0.02	0.27	23.15	–

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From January 2011.

Management Fees

RBC GAM is the manager, portfolio advisor and registrar of the Fund. No management fees are paid by the Fund in respect of Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Federal Bonds	99.7
Cash/Other	0.3

Top 25 Holdings*

	% of Net Asset Value
Government of Canada 1.500% Dec 1 44	99.7
Cash & Cash Equivalents	0.3
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

BALANCED FUND

**PHILLIPS, HAGER & NORTH
MONTHLY INCOME FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. To achieve the Fund's investment objective, we primarily invest in a well diversified balanced portfolio of income-producing equity securities, including, but not limited to, common shares of dividend-paying Canadian companies and income trusts. The Fund may also invest in fixed-income securities such as preferred shares, government and corporate bonds, debentures and notes, asset backed commercial paper, mortgage backed securities and other income-generating securities.

The Fund's target weightings for each asset class are 50% for fixed income and 50% for equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class.

Results of Operations

The Fund's net asset value was \$3.5 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 8.6%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The fixed-income portion of the Fund had a strong start to the year, which was unexpected by the portfolio manager. It's important to remind investors that the falling interest rates that have led to strong returns so far this year are not particularly helpful for returns over longer periods. This is because the resulting lower-yield environment means that interest accrues at a slower rate going forward.

The Fund was defensively positioned against rising rates during the reporting period (and has been for some time). So far this year, this positioning has not proved necessary as rates have not risen, but it has also not detracted from the Fund's performance. The Fund remains defensively positioned with regard to its position in corporate strategies. The yield premium that corporate bonds pay over government bonds has narrowed considerably since the credit crisis, and is no longer high enough to be compelling.

The portfolio manager continued to add to the Fund's gold-producer holdings, which performed well during the reporting period. The Fund doesn't typically hold these types of stocks, but the negative sentiment towards the sector over the past couple of years created an attractive opportunity in high-quality large-capitalization gold

stocks, such as Agnico Eagle Mines (+46%) and Eldorado Gold (+31%). The portfolio manager has since reduced the Fund's exposure to gold but will continue to be tactical as opportunities arise.

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits. Effective June 27, 2014, the RBC Phillips, Hager & North Monthly Income Fund was merged into the Fund. Units of the RBC Phillips, Hager & North Monthly Income Fund were exchanged on a tax-deferred basis for units of the Fund having a net asset value on the effective date equal to the net asset value of the units tendered.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series, Series H and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$498,000 (2013 – \$452,000), or 12% (2013 – 11%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors (“BoG”) in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.45	0.18	(0.11)	0.45	0.31	0.83	(0.26)	–	(0.29)	–	(0.55)	10.74
Dec. 31, 2013	10.43	0.39	(0.20)	0.42	0.09	0.70	(0.15)	(0.19)	(0.36)	–	(0.70)	10.44
Dec. 31, 2012	10.19	0.43	(0.20)	0.17	0.35	0.75	(0.15)	(0.20)	(0.12)	(0.04)	(0.51)	10.43
Dec. 31, 2011	10.63	0.45	(0.19)	(0.20)	(0.09)	(0.03)	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.19
Dec. 31, 2010	9.99	0.61	(0.19)	0.28	1.10	1.80	(0.16)	(0.13)	(0.19)	(0.02)	(0.50)	10.63
Dec. 31, 2009 ³	10.00 [†]	–	–	–	–	–	–	–	–	–	–	9.99
Advisor Series												
June 30, 2014	10.45	0.19	(0.10)	0.45	0.31	0.85	(0.26)	–	(0.29)	–	(0.55)	10.74
Dec. 31, 2013	10.43	0.38	(0.20)	0.41	0.09	0.68	(0.15)	(0.19)	(0.36)	–	(0.70)	10.44
Dec. 31, 2012	10.19	0.43	(0.20)	0.17	0.35	0.75	(0.15)	(0.20)	(0.12)	(0.04)	(0.51)	10.43
Dec. 31, 2011	10.63	0.45	(0.19)	(0.20)	(0.09)	(0.03)	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.19
Dec. 31, 2010 ⁴	10.50 [†]	0.10	(0.03)	0.05	0.18	0.30	(0.03)	(0.02)	(0.03)	–	(0.08)	10.63
Series H												
June 30, 2014	10.48	0.19	(0.09)	0.45	0.31	0.86	(0.26)	–	(0.29)	–	(0.55)	10.78
Dec. 31, 2013	10.44	0.39	(0.18)	0.42	0.09	0.72	(0.15)	(0.19)	(0.36)	–	(0.70)	10.47
Dec. 31, 2012 ⁵	10.22 [†]	0.19	(0.09)	0.08	0.16	0.34	(0.07)	(0.11)	(0.06)	(0.02)	(0.26)	10.44
Series D												
June 30, 2014	10.82	0.19	(0.06)	0.47	0.32	0.92	(0.27)	–	(0.30)	–	(0.57)	11.17
Dec. 31, 2013	10.70	0.40	(0.12)	0.43	0.09	0.80	(0.15)	(0.19)	(0.37)	–	(0.71)	10.81
Dec. 31, 2012	10.36	0.44	(0.12)	0.18	0.36	0.86	(0.15)	(0.21)	(0.12)	(0.04)	(0.52)	10.70
Dec. 31, 2011	10.72	0.46	(0.11)	(0.20)	(0.09)	0.06	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.36
Dec. 31, 2010	9.99	0.56	(0.11)	0.26	1.00	1.71	(0.16)	(0.13)	(0.19)	(0.02)	(0.50)	10.72
Dec. 31, 2009 ³	10.00 [†]	–	–	–	–	–	–	–	–	–	–	9.99
Series F												
June 30, 2014	10.94	0.19	(0.05)	0.47	0.32	0.93	(0.27)	–	(0.31)	–	(0.58)	11.30
Dec. 31, 2013	10.79	0.40	(0.09)	0.44	0.10	0.85	(0.15)	(0.19)	(0.37)	–	(0.71)	10.93
Dec. 31, 2012	10.42	0.44	(0.09)	0.18	0.36	0.89	(0.15)	(0.20)	(0.13)	(0.04)	(0.52)	10.79
Dec. 31, 2011	10.75	0.46	(0.08)	(0.20)	(0.09)	0.09	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.42
Dec. 31, 2010	9.99	0.64	(0.08)	0.30	1.15	2.01	(0.16)	(0.13)	(0.19)	(0.02)	(0.50)	10.75
Dec. 31, 2009 ³	10.00 [†]	–	–	–	–	–	–	–	–	–	–	9.99
Series I												
June 30, 2014	10.97	0.19	(0.04)	0.47	0.32	0.94	(0.27)	–	(0.31)	–	(0.58)	11.34
Dec. 31, 2013	10.80	0.40	(0.07)	0.44	0.10	0.87	(0.15)	(0.19)	(0.37)	–	(0.71)	10.96
Dec. 31, 2012 ⁵	10.52 [†]	0.20	(0.03)	0.08	0.17	0.42	(0.08)	(0.10)	(0.06)	(0.02)	(0.26)	10.80

FINANCIAL HIGHLIGHTS (cont.)

Change in Net Assets Per Unit (\$) (cont.)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series O												
June 30, 2014	11.27	0.20	–	0.49	0.33	1.02	(0.28)	–	(0.32)	–	(0.60)	11.69
Dec. 31, 2013	11.03	0.41	(0.01)	0.45	0.10	0.95	(0.15)	(0.20)	(0.38)	–	(0.73)	11.26
Dec. 31, 2012	10.56	0.45	(0.01)	0.18	0.37	0.99	(0.15)	(0.21)	(0.13)	(0.04)	(0.53)	11.03
Dec. 31, 2011	10.80	0.46	(0.01)	(0.20)	(0.09)	0.16	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.56
Dec. 31, 2010 ⁶	10.34 [†]	0.24	–	0.11	0.24	0.59	(0.12)	(0.10)	(0.15)	(0.01)	(0.38)	10.80

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From December 2009.

⁴ From October 2010.

⁵ From July 2012.

⁶ From April 2010.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.74	2 809 346	261 669	1.92	1.92	195.52	0.25
Dec. 31, 2013	10.45	573 572	54 901	1.92	1.92	220.70	0.27
Dec. 31, 2012	10.44	568 106	55 703	1.94	1.94	192.25	0.27
Dec. 31, 2011	10.20	541 416	53 076	1.94	1.94	206.93	0.46
Dec. 31, 2010	10.65	297 913	27 986	1.91	1.91	152.84	0.44
Dec. 31, 2009 ⁴	10.02	4 006	400	1.84	1.84	–	0.07
Advisor Series							
June 30, 2014	10.74	138 985	12 945	1.92	1.92	195.52	0.25
Dec. 31, 2013	10.45	131 135	12 551	1.92	1.92	220.70	0.27
Dec. 31, 2012	10.44	115 749	9 771	1.94	1.94	192.25	0.27
Dec. 31, 2011	10.20	69 861	6 849	1.94	1.94	206.93	0.46
Dec. 31, 2010 ⁵	10.65	10 539	990	1.91	1.91	152.84	0.44
Series H							
June 30, 2014	10.78	45 610	4 232	1.73	1.73	195.52	0.25
Dec. 31, 2013	10.48	36 308	3 466	1.74	1.74	220.70	0.27
Dec. 31, 2012 ⁶	10.45	33 912	3 245	1.77	1.77	192.25	0.27
Series D							
June 30, 2014	11.17	154 740	13 856	1.08	1.08	195.52	0.25
Dec. 31, 2013	10.82	138 932	12 840	1.09	1.09	220.70	0.27
Dec. 31, 2012	10.72	114 623	10 695	1.12	1.12	192.25	0.27
Dec. 31, 2011	10.38	92 254	8 890	1.12	1.12	206.93	0.46
Dec. 31, 2010	10.73	49 125	4 577	1.10	1.10	152.84	0.44
Dec. 31, 2009 ⁴	10.02	1	–	0.73	0.73	–	0.07

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data (cont.)

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2014	11.30	83 020	7 347	0.83	0.83	195.52	0.25
Dec. 31, 2013	10.94	81 613	7 459	0.83	0.83	220.70	0.27
Dec. 31, 2012	10.81	70 056	6 481	0.83	0.83	192.25	0.27
Dec. 31, 2011	10.44	61 264	5 869	0.83	0.83	206.93	0.46
Dec. 31, 2010	10.76	34 288	3 186	0.82	0.82	152.84	0.44
Dec. 31, 2009 ⁴	10.02	1	—	0.73	0.73	—	0.07
Series I							
June 30, 2014	11.34	12 721	1 122	0.64	0.64	195.52	0.25
Dec. 31, 2013	10.97	10 218	932	0.66	0.66	220.70	0.27
Dec. 31, 2012 ⁶	10.82	14 179	1 310	0.68	0.68	192.25	0.27
Series O							
June 30, 2014	11.69	222 259	19 013	0.06	0.06	195.52	0.25
Dec. 31, 2013	11.27	2 204 094	195 565	0.06	0.06	220.70	0.27
Dec. 31, 2012	11.04	1 718 395	155 627	0.06	0.06	192.25	0.27
Dec. 31, 2011	10.58	1 266 670	119 746	0.06	0.06	206.93	0.46
Dec. 31, 2010 ⁷	10.82	459 420	42 463	0.06	0.06	152.84	0.44

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From December 2009.

⁵ From October 2010.

⁶ From July 2012.

⁷ From April 2010.

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund.

Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.65%	61%	39%
Advisor Series	1.65%	61%	39%
Series H	1.50%	67%	33%
Series D	0.90%	28%	72%
Series F	0.65%	—	100%
Series I	0.50%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

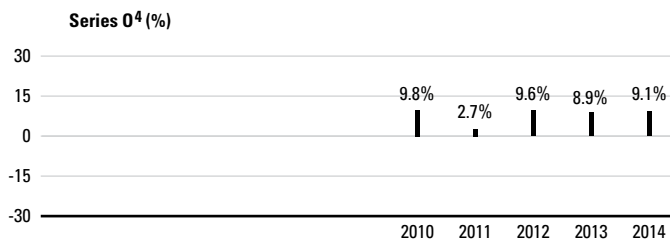
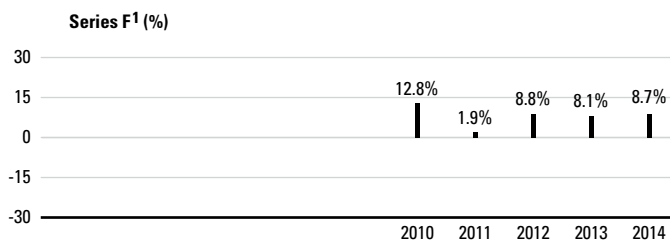
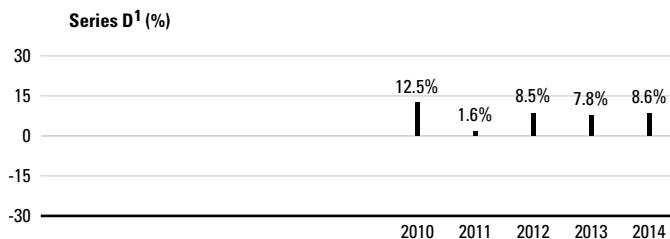
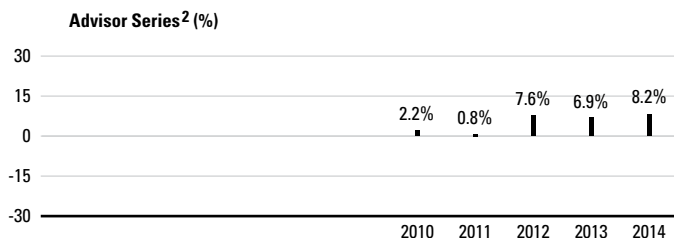
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date December 2009.

² Inception date October 2010.

³ Inception date July 2012.

⁴ Inception date April 2010.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Canadian Equities	52.5
Bonds	41.2
Preferred Equities	4.9
Cash/Other	1.4

Top 25 Holdings

	% of Net Asset Value
RBC High Yield Bond Fund	5.9
Royal Bank of Canada	4.0
Government of Canada 2.250% Aug 1 14	3.9
Phillips, Hager & North High Yield Bond Fund	3.5
Toronto-Dominion Bank	3.4
Bank of Nova Scotia	2.8
Enbridge Inc.	2.1
Power Corporation of Canada	1.9
Bank of Montreal	1.7
Manulife Financial Corporation	1.7
Canada Housing Trust No. 1 1.950% Jun 15 19	1.6
Province of Ontario 6.500% Mar 8 29	1.5
ARC Resources Ltd.	1.5
Industrial Alliance Insurance & Financial Services Inc.	1.4
Empire Co. Ltd., Class A	1.4
Province of Ontario 7.600% Jun 2 27	1.3
Alimentation Couche-Tard Inc.	1.2
TransCanada Corp.	1.0
Canada Housing Trust No. 1 3.800% Jun 15 21	1.0
Cineplex Inc.	1.0
Gildan Activewear Inc., Class A	0.9
Pure Industrial Real Estate Investment Trust	0.9
Suncor Energy Inc.	0.9
Talisman Energy Inc.	0.9
Crombie Real Estate Investment Trust	0.9
Top 25 Holdings	48.3

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

BALANCED FUND

**PHILLIPS, HAGER & NORTH
BALANCED FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. Its asset mix is adjusted periodically to reflect changing economic and market conditions. The magnitude and timing of all rebalancing decisions within the Fund are made by a team of investment professionals who focus on determining the best asset mix in any given economic environment. To achieve the Fund's investment objective, we invest a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM where the investment is consistent with the investment objectives and strategies of the Fund.

Results of Operations

The Fund's net asset value was \$714.5 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 7.6%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

The Fund's overweight allocation to equities and underweight position in bonds had a positive effect on overall performance.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then, yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the

tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

The Fund's only fixed-income holding, the Phillips, Hager & North Bond Fund, had a positive impact on portfolio returns.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. All of the Fund's equity holdings had a positive contribution to performance, led by the Phillips, Hager & North Canadian Equity Underlying Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. The Fund has maintained below-benchmark exposure to fixed income, recognizing that rising bond yields will likely lead to low total returns. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher. The portfolio manager anticipates that returns for equities will be lower given current valuations. However, expectations that stocks will continue to outperform bonds means that the Fund's asset mix remains tilted toward equities.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	18.97	0.13	(0.19)	0.20	1.19	1.33	(0.05)	–	–	–	(0.05)	20.24
Dec. 31, 2013	17.03	0.51	(0.35)	0.25	1.70	2.11	(0.07)	(0.11)	–	–	(0.18)	18.97
Dec. 31, 2012	16.23	0.52	(0.33)	0.09	0.80	1.08	(0.08)	(0.15)	(0.05)	–	(0.28)	17.03
Dec. 31, 2011	17.50	0.58	(0.33)	0.21	(1.26)	(0.80)	(0.14)	(0.08)	(0.24)	–	(0.46)	16.23
Dec. 31, 2010	16.58	0.54	(0.33)	0.35	0.63	1.19	(0.22)	(0.02)	(0.06)	–	(0.30)	17.50
Dec. 31, 2009	14.30	0.64	(0.30)	(0.02)	2.68	3.00	(0.19)	(0.09)	–	–	(0.28)	16.58
Advisor Series												
June 30, 2014	18.98	0.13	(0.19)	0.20	1.19	1.33	(0.05)	–	–	–	(0.05)	20.25
Dec. 31, 2013	17.03	0.49	(0.36)	0.25	1.64	2.02	(0.07)	(0.11)	–	–	(0.18)	18.98
Dec. 31, 2012	16.23	0.52	(0.33)	0.09	0.80	1.08	(0.08)	(0.15)	(0.05)	–	(0.28)	17.03
Dec. 31, 2011	17.50	0.58	(0.33)	0.21	(1.26)	(0.80)	(0.14)	(0.08)	(0.24)	–	(0.46)	16.23
Dec. 31, 2010 ³	17.28 [†]	0.09	(0.05)	0.06	0.11	0.21	(0.10)	(0.01)	(0.06)	–	(0.17)	17.50
Series D												
June 30, 2014	18.73	0.13	(0.08)	0.20	1.17	1.42	(0.16)	–	–	–	(0.16)	19.98
Dec. 31, 2013	16.81	0.50	(0.15)	0.25	1.68	2.28	(0.14)	(0.22)	–	–	(0.36)	18.73
Dec. 31, 2012	16.01	0.51	(0.14)	0.09	0.79	1.25	(0.14)	(0.27)	(0.05)	–	(0.46)	16.81
Dec. 31, 2011	17.28	0.57	(0.14)	0.21	(1.24)	(0.60)	(0.26)	(0.16)	(0.24)	–	(0.66)	16.01
Dec. 31, 2010	16.36	0.53	(0.14)	0.34	0.62	1.35	(0.36)	(0.04)	(0.06)	–	(0.46)	17.28
Dec. 31, 2009	14.11	0.57	(0.13)	(0.04)	2.26	2.66	(0.29)	(0.15)	–	–	(0.44)	16.36
Series F												
June 30, 2014	18.74	0.13	(0.09)	0.20	1.17	1.41	(0.15)	–	–	–	(0.15)	20.00
Dec. 31, 2013	16.82	0.50	(0.16)	0.25	1.68	2.27	(0.14)	(0.22)	–	–	(0.36)	18.74
Dec. 31, 2012	16.03	0.52	(0.15)	0.09	0.79	1.25	(0.14)	(0.27)	(0.05)	–	(0.46)	16.82
Dec. 31, 2011	17.30	0.57	(0.15)	0.21	(1.24)	(0.61)	(0.26)	(0.16)	(0.24)	–	(0.66)	16.03
Dec. 31, 2010	16.37	0.53	(0.15)	0.34	0.62	1.34	(0.36)	(0.04)	(0.06)	–	(0.46)	17.30
Dec. 31, 2009	14.13	0.61	(0.13)	(0.04)	2.23	2.67	(0.29)	(0.15)	–	–	(0.44)	16.37
Series O												
June 30, 2014	18.54	0.13	–	0.20	1.16	1.49	(0.24)	–	–	–	(0.24)	19.78
Dec. 31, 2013	16.64	0.49	–	0.25	1.66	2.40	(0.20)	(0.30)	–	–	(0.50)	18.54
Dec. 31, 2012	15.86	0.51	–	0.09	0.78	1.38	(0.19)	(0.36)	(0.05)	–	(0.60)	16.64
Dec. 31, 2011	17.11	0.57	–	0.20	(1.23)	(0.46)	(0.35)	(0.21)	(0.24)	–	(0.80)	15.86
Dec. 31, 2010	16.15	0.52	–	0.34	0.61	1.47	(0.45)	(0.05)	(0.06)	–	(0.56)	17.11
Dec. 31, 2009	14.02	0.57	–	(0.05)	2.26	2.78	(0.44)	(0.22)	–	–	(0.66)	16.15

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	20.24	21 983	1 086	1.99	1.99	11.81	0.10
Dec. 31, 2013	18.97	22 353	1 178	2.00	2.00	118.83	0.11
Dec. 31, 2012	17.04	21 146	1 241	2.03	2.03	104.10	0.12
Dec. 31, 2011	16.24	21 655	1 333	2.03	2.03	108.76	0.03
Dec. 31, 2010	17.52	18 669	1 065	1.99	1.99	64.26	0.11
Dec. 31, 2009	16.60	10 475	631	1.92 ⁴	1.93	52.86	0.10
Advisor Series							
June 30, 2014	20.25	3 436	170	1.99	1.99	11.81	0.10
Dec. 31, 2013	18.98	2 852	150	2.00	2.00	118.83	0.11
Dec. 31, 2012	17.04	1 676	98	2.03	2.03	104.10	0.12
Dec. 31, 2011	16.24	1 106	68	2.03	2.03	108.76	0.03
Dec. 31, 2010 ⁵	17.52	18	1	1.99	1.99	64.26	0.11
Series D							
June 30, 2014	19.98	637 728	31 913	0.88	0.88	11.81	0.10
Dec. 31, 2013	18.73	595 989	31 823	0.88	0.88	118.83	0.11
Dec. 31, 2012	16.81	590 173	35 105	0.90	0.90	104.10	0.12
Dec. 31, 2011	16.02	652 471	40 725	0.91	0.91	108.76	0.03
Dec. 31, 2010	17.30	751 233	43 422	0.89	0.89	64.26	0.11
Dec. 31, 2009	16.38	771 482	47 104	0.86 ⁴	0.86	52.86	0.10
Series F							
June 30, 2014	20.00	9 375	469	0.91	0.91	11.81	0.10
Dec. 31, 2013	18.74	8 864	473	0.91	0.91	118.83	0.11
Dec. 31, 2012	16.82	7 821	465	0.91	0.91	104.10	0.12
Dec. 31, 2011	16.03	7 078	441	0.92	0.92	108.76	0.03
Dec. 31, 2010	17.32	7 541	435	0.91	0.91	64.26	0.11
Dec. 31, 2009	16.40	6 036	368	0.87 ⁴	0.88	52.86	0.10
Series O							
June 30, 2014	19.78	41 945	2 120	0.04	0.04	11.81	0.10
Dec. 31, 2013	18.54	47 414	2 557	0.04	0.04	118.83	0.11
Dec. 31, 2012	16.64	40 811	2 452	0.03	0.03	104.10	0.12
Dec. 31, 2011	15.86	39 513	2 491	0.04	0.04	108.76	0.03
Dec. 31, 2010	17.13	47 023	2 745	0.04	0.04	64.26	0.11
Dec. 31, 2009	16.17	58 186	3 597	0.03 ⁴	0.03	52.86	0.10

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.95%, Series D – 0.87%, Series F – 0.90%, Series O – 0.03%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	0.75%	33%	67%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

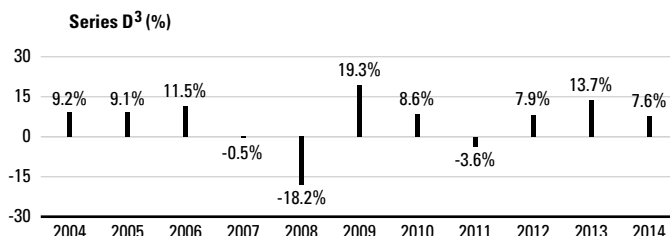
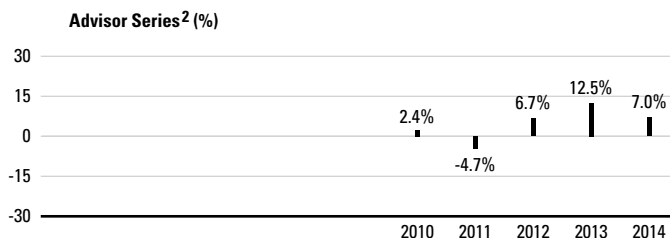
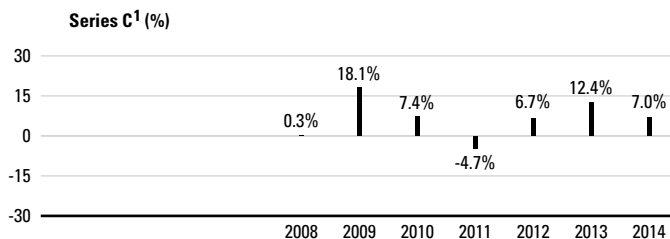
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

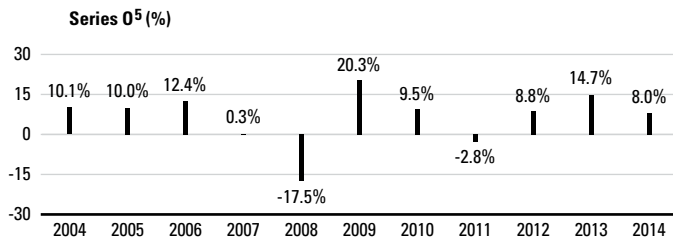
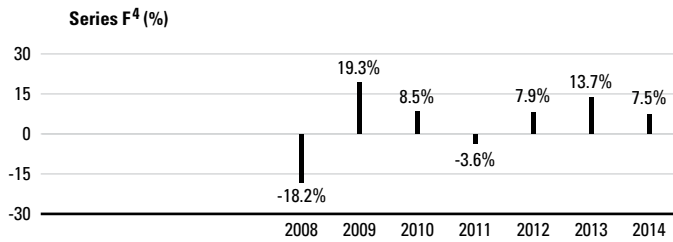
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Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date September 1991.

⁴ Inception date December 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Canadian Equities	35.8
Bonds	28.2
U.S. Equities	15.0
Overseas Equities	10.0
Mortgages	0.2
Cash/Other	10.8

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Canadian Equity Underlying Fund	36.1
Phillips, Hager & North Bond Fund	32.2
Phillips, Hager & North U.S. Equity Fund	15.0
Phillips, Hager & North Overseas Equity Pension Trust	10.8
RBC Institutional Cash Fund	5.4
Cash & Cash Equivalents	0.5
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

BALANCED FUND

**PHILLIPS, HAGER & NORTH
COMMUNITY VALUES BALANCED FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. The Fund's asset mix is adjusted periodically to reflect changing economic and market conditions. The magnitude and timing of all rebalancing decisions within the Fund are made by a team of investment professionals who focus on determining the best asset mix in any given economic environment. To achieve the Fund's investment objective, we invest a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM where the investment is consistent with the investment objectives and strategies of the Fund.

Results of Operations

The Fund's net asset value was \$41.9 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 7.4%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

The Fund's overweight allocation to equities and underweight position in bonds had a positive effect on overall performance.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then, yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the

tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes. The Fund's only fixed-income holding, the Phillips, Hager & North Community Values Bond Fund, had a positive impact on portfolio returns.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. All of the Fund's equity holdings had a positive contribution to performance, led by the Phillips, Hager & North Community Values Canadian Equity Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. The Fund has maintained below-benchmark exposure to fixed income, recognizing that rising bond yields will likely lead to low total returns. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher. The portfolio manager anticipates that returns for equities will be lower given current valuations. However, expectations that stocks will continue to outperform bonds means that the Fund's asset mix remains tilted toward equities.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

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

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

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

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	13.98	0.10	(0.15)	0.02	1.03	1.00	—	—	—	—	—	14.93
Dec. 31, 2013	12.48	0.36	(0.27)	0.27	1.27	1.63	—	(0.09)	(0.02)	—	(0.11)	13.98
Dec. 31, 2012	11.81	0.34	(0.25)	0.10	0.61	0.80	—	(0.09)	(0.04)	—	(0.13)	12.48
Dec. 31, 2011	12.77	0.35	(0.25)	0.25	(0.88)	(0.53)	(0.05)	(0.04)	(0.33)	—	(0.42)	11.81
Dec. 31, 2010	12.12	0.36	(0.24)	0.10	0.59	0.81	(0.06)	(0.05)	(0.03)	—	(0.14)	12.77
Dec. 31, 2009	10.37	0.49	(0.22)	(0.20)	1.99	2.06	(0.06)	(0.06)	—	—	(0.12)	12.12
Advisor Series												
June 30, 2014	13.98	0.10	(0.15)	0.02	1.03	1.00	—	—	—	—	—	14.94
Dec. 31, 2013	12.48	0.36	(0.27)	0.27	1.26	1.62	—	(0.09)	(0.02)	—	(0.11)	13.98
Dec. 31, 2012	11.81	0.34	(0.25)	0.10	0.61	0.80	—	(0.09)	(0.04)	—	(0.13)	12.48
Dec. 31, 2011	12.77	0.35	(0.25)	0.25	(0.88)	(0.53)	(0.05)	(0.04)	(0.33)	—	(0.42)	11.81
Dec. 31, 2010 ³	12.68 [†]	0.06	(0.04)	0.02	0.10	0.14	(0.06)	(0.05)	(0.03)	—	(0.14)	12.77
Series D												
June 30, 2014	13.80	0.10	(0.07)	0.02	1.03	1.08	—	—	—	—	—	14.82
Dec. 31, 2013	12.31	0.36	(0.12)	0.27	1.26	1.77	(0.01)	(0.23)	(0.02)	—	(0.26)	13.80
Dec. 31, 2012	11.66	0.34	(0.12)	0.10	0.61	0.93	(0.01)	(0.22)	(0.04)	—	(0.27)	12.31
Dec. 31, 2011	12.62	0.34	(0.12)	0.25	(0.88)	(0.41)	(0.12)	(0.10)	(0.33)	—	(0.55)	11.66
Dec. 31, 2010	11.97	0.36	(0.11)	0.10	0.59	0.94	(0.14)	(0.11)	(0.03)	—	(0.28)	12.62
Dec. 31, 2009	10.25	0.37	(0.10)	(0.30)	1.98	1.95	(0.13)	(0.12)	—	—	(0.25)	11.97
Series F												
June 30, 2014	13.98	0.11	(0.07)	0.02	1.04	1.10	—	—	—	—	—	15.02
Dec. 31, 2013	12.48	0.36	(0.12)	0.27	1.28	1.79	(0.01)	(0.24)	(0.02)	—	(0.27)	13.98
Dec. 31, 2012	11.81	0.35	(0.11)	0.10	0.61	0.95	(0.01)	(0.22)	(0.04)	—	(0.27)	12.48
Dec. 31, 2011	12.78	0.35	(0.12)	0.25	(0.89)	(0.41)	(0.13)	(0.10)	(0.33)	—	(0.56)	11.81
Dec. 31, 2010	12.12	0.36	(0.11)	0.10	0.60	0.95	(0.14)	(0.12)	(0.03)	—	(0.29)	12.78
Dec. 31, 2009	10.38	0.56	(0.10)	(0.18)	2.24	2.52	(0.13)	(0.12)	—	—	(0.25)	12.12
Series O												
June 30, 2014	13.84	0.09	(0.01)	0.02	0.88	0.98	—	—	—	—	—	14.92
Dec. 31, 2013	12.35	0.36	(0.02)	0.27	1.28	1.89	(0.02)	(0.33)	(0.02)	—	(0.37)	13.84
Dec. 31, 2012	11.69	0.34	(0.02)	0.10	0.61	1.03	(0.01)	(0.32)	(0.04)	—	(0.37)	12.35
Dec. 31, 2011	12.66	0.35	(0.02)	0.25	(0.88)	(0.30)	(0.19)	(0.14)	(0.33)	—	(0.66)	11.69
Dec. 31, 2010	12.01	0.36	(0.02)	0.10	0.59	1.03	(0.20)	(0.16)	(0.03)	—	(0.39)	12.66
Dec. 31, 2009	10.30	0.83	(0.02)	(0.09)	0.41	1.13	(0.18)	(0.17)	—	—	(0.35)	12.01

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From December 31, 2010.

[†] Initial offering net asset value per unit.

**PHILLIPS, HAGER & NORTH COMMUNITY
VALUES BALANCED FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	14.93	4 507	302	2.15	2.16	10.34	0.08
Dec. 31, 2013	13.98	3 354	240	2.17	2.17	23.10	0.08
Dec. 31, 2012	12.48	2 589	208	2.18	2.18	21.43	0.12
Dec. 31, 2011	11.81	1 990	168	2.19	2.19	24.52	0.12
Dec. 31, 2010	12.77	1 603	125	2.14	2.14	19.82	0.09
Dec. 31, 2009	12.12	685	57	2.11 ⁴	2.51	20.22	0.14
Advisor Series							
June 30, 2014	14.94	2 019	135	2.14	2.15	10.34	0.08
Dec. 31, 2013	13.98	1 492	107	2.17	2.17	23.10	0.08
Dec. 31, 2012	12.48	493	40	2.18	2.18	21.43	0.12
Dec. 31, 2011	11.81	204	17	2.19	2.19	24.52	0.12
Dec. 31, 2010 ⁵	12.77	51	4	2.14	2.14	19.82	0.09
Series D							
June 30, 2014	14.82	13 159	888	1.03	1.04	10.34	0.08
Dec. 31, 2013	13.80	10 670	773	1.05	1.05	23.10	0.08
Dec. 31, 2012	12.31	10 127	822	1.08	1.08	21.43	0.12
Dec. 31, 2011	11.66	10 141	870	1.08	1.08	24.52	0.12
Dec. 31, 2010	12.62	10 892	863	0.95	0.95	19.82	0.09
Dec. 31, 2009	11.97	11 117	929	1.07 ⁴	1.38	20.22	0.14
Series F							
June 30, 2014	15.02	668	44	1.00	1.01	10.34	0.08
Dec. 31, 2013	13.98	586	42	1.02	1.02	23.10	0.08
Dec. 31, 2012	12.48	383	31	1.03	1.03	21.43	0.12
Dec. 31, 2011	11.81	508	43	1.05	1.05	24.52	0.12
Dec. 31, 2010	12.78	234	18	0.92	0.92	19.82	0.09
Dec. 31, 2009	12.12	160	13	1.06 ⁴	1.43	20.22	0.14
Series O							
June 30, 2014	14.92	21 538	1 443	0.20	0.21	10.34	0.08
Dec. 31, 2013	13.84	526	38	0.22	0.22	23.10	0.08
Dec. 31, 2012	12.35	276	22	0.24	0.24	21.43	0.12
Dec. 31, 2011	11.69	319	27	0.25	0.25	24.52	0.12
Dec. 31, 2010	12.66	2 947	233	0.23	0.23	19.82	0.09
Dec. 31, 2009	12.01	2 693	224	0.25 ⁴	0.66	20.22	0.14

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 2.03%, Series D – 1.00%, Series F – 0.99%, Series O – 0.19%.

⁵ From October 2010.

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

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	0.75%	33%	67%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

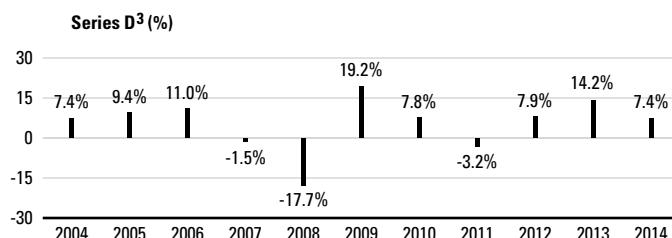
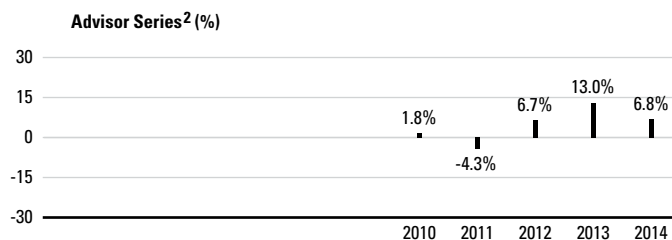
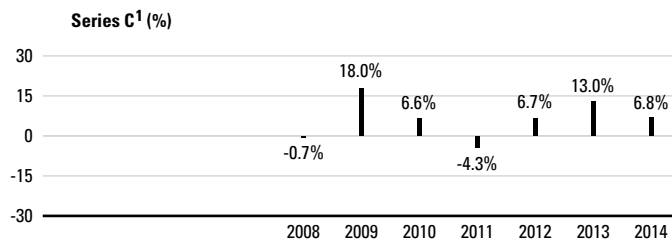
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

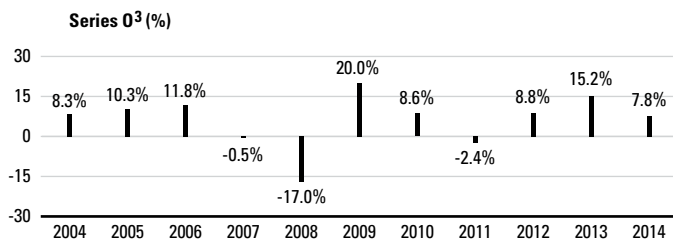
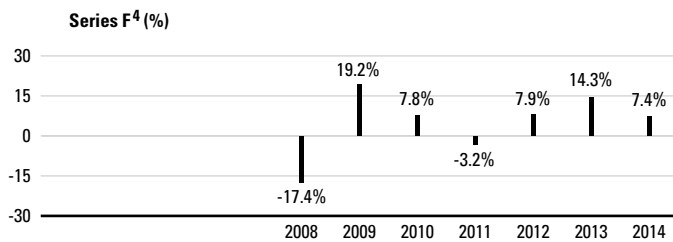
Year-by-Year Returns (%)

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



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

PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date September 2002.

⁴ Inception date December 2007.

Series D was known as Series A prior to November 17, 2008. Although the Fund was prospectused in August 2002, Series A and Series O units were not offered for sale until September 2002. We are therefore not permitted to disclose performance data for this Fund for any period prior to September 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Canadian Equities	36.0
Bonds	28.7
U.S. Equities	15.0
Overseas Equities	9.9
Cash/Other	10.4

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Community Values Canadian Equity Fund	36.2
Phillips, Hager & North Community Values Bond Fund	32.3
Phillips, Hager & North Community Values Global Equity Fund	25.6
Cash & Cash Equivalents	5.9
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
DIVIDEND INCOME FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

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Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. The securities are selected based on their long-term earnings potential and their ability to sustain an attractive yield over the long term. To achieve the Fund's investment objective, we invest primarily in large-capitalization, dividend-paying Canadian common shares and, to a lesser extent, preferred shares and bonds. U.S. stocks may be held in the Fund to complement its Canadian holdings, and will typically be concentrated in industries that are not well represented in the Canadian market.

Results of Operations

The Fund's net asset value was \$2.9 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 10.7%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

Most major global stock markets continued to move higher over the first half of 2014, supported by accommodative central bank policies. In spite of sluggish global growth rates, corporations continued to grow earnings due to a combination of low interest rates, cost-cutting and share buybacks.

During the reporting period, the Fund underperformed its benchmark, the S&P/TSX Capped Composite Total Return Index. The best-performing sectors in the Fund were Energy and Utilities. Consumer Discretionary and Industrials also generated strong returns.

In the Energy sector, the Fund benefited from its investment in Cardinal Energy and Precision Drilling. Following Cardinal Energy's initial public offering in December 2013, the shares have continued to rise as investors have become increasingly more confident in their "growth plus dividend" model. In the Consumer Discretionary sector, the Fund has benefited from Magna International's strong share price performance, which is being driven by solid North American vehicle volumes and better margins, improving European margins as well as an aggressive share buyback.

During the first half of the year, the portfolio manager chose not to invest in several poor-performing stocks, which also added to the Fund's relative performance. These included Bombardier, Catamaran, Tim Hortons, IGM Financial and WestJet.

The portfolio manager remained active during the first six months of the year, adding several new names and eliminating or trimming several others. Positions were added in Pattern Energy, Brookfield Property Partners, Chemtrade Logistics, Veresen, WSP Global, Whitecap Resources, TransAlta, and Labrador Iron Ore Royalty. The portfolio manager also added to Goldcorp and Exchange Income.

The portfolio manager trimmed Cenovus Energy, Bank of Nova Scotia, Royal Bank of Canada, Baytex Energy and Toronto-Dominion Bank and eliminated Precision Drilling, Constellation Software and Empire.

Recent Developments

While risks including the threat of deflation have faded, others have intensified. Geopolitical risks have mounted, most obviously in eastern Ukraine and Iraq. Emerging-market credit excesses remain largely unaddressed, with tentative evidence of a reckoning underway in Chinese housing. However, the portfolio manager's sense is that the coming economic good news for the developed world is more likely than not to trump the downside risks.

The portfolio manager continues to believe that the return of economic optimism in 2013 and the abatement of fiscal austerity this year will lead to faster growth for the rest of this year and beyond. Much of the improved global growth will come from rejuvenated developed nations, the U.S. in particular. A better outlook for the housing and jobs markets supports the portfolio manager's view that the outlook is brightening. The outlook is promising enough, in the view of the portfolio manager, to warrant an end to the U.S. Federal Reserve's extraordinary easing measures this year, with prospects for interest-rate hikes sometime in 2015.

The portfolio manager will continue to strategically favour companies that can grow both their earnings and dividends. Given historic-high dividend yields relative to bonds, equities continue to be attractive.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$20,000 (2013 – \$67,000), or 7% (2013 – 20%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	90.69	1.63	(0.95)	1.81	6.79	9.28	—	(0.40)	—	—	(0.40)	99.59
Dec. 31, 2013	79.60	2.88	(1.71)	1.37	9.57	12.11	—	(1.06)	—	—	(1.06)	90.66
Dec. 31, 2012	73.98	2.57	(1.58)	2.69	3.87	7.55	—	(0.73)	(1.21)	—	(1.94)	79.60
Dec. 31, 2011	78.50	2.44	(1.52)	3.22	(6.72)	(2.58)	—	(0.33)	(1.44)	—	(1.77)	73.98
Dec. 31, 2010	71.37	2.32	(1.42)	0.90	5.92	7.72	—	(0.70)	—	—	(0.70)	78.50
Dec. 31, 2009	54.92	2.37	(1.25)	1.36	17.91	20.39	—	(1.05)	—	—	(1.05)	71.37
Advisor Series												
June 30, 2014	90.70	1.63	(0.95)	1.81	6.79	9.28	—	(0.40)	—	—	(0.40)	99.61
Dec. 31, 2013	79.60	2.88	(1.74)	1.36	9.55	12.05	—	(1.06)	—	—	(1.06)	90.68
Dec. 31, 2012	73.98	2.57	(1.58)	2.69	3.87	7.55	—	(0.73)	(1.21)	—	(1.94)	79.60
Dec. 31, 2011	78.50	2.44	(1.52)	3.22	(6.72)	(2.58)	—	(0.33)	(1.44)	—	(1.77)	73.98
Dec. 31, 2010 ³	75.18 [†]	0.39	(0.24)	0.15	0.99	1.29	—	(0.36)	—	—	(0.36)	78.50
Series D												
June 30, 2014	89.87	1.61	(0.54)	1.80	6.73	9.60	—	(0.80)	—	—	(0.80)	98.70
Dec. 31, 2013	78.85	2.85	(0.97)	1.36	9.49	12.73	—	(1.75)	—	—	(1.75)	89.85
Dec. 31, 2012	73.30	2.55	(0.90)	2.67	3.84	8.16	—	(1.41)	(1.21)	—	(2.62)	78.85
Dec. 31, 2011	77.79	2.41	(0.86)	3.19	(6.65)	(1.91)	—	(1.02)	(1.43)	—	(2.45)	73.30
Dec. 31, 2010	70.71	2.29	(0.81)	0.89	5.85	8.22	—	(1.29)	—	—	(1.29)	77.79
Dec. 31, 2009	54.37	2.34	(0.68)	1.17	14.84	17.67	—	(1.50)	—	—	(1.50)	70.71
Series F												
June 30, 2014	90.51	1.63	(0.43)	1.81	6.78	9.79	—	(0.90)	—	—	(0.90)	99.41
Dec. 31, 2013	79.40	2.87	(0.78)	1.37	9.56	13.02	—	(1.95)	—	—	(1.95)	90.48
Dec. 31, 2012	73.81	2.57	(0.73)	2.69	3.86	8.39	—	(1.60)	(1.21)	—	(2.81)	79.40
Dec. 31, 2011	78.36	2.43	(0.70)	3.22	(6.70)	(1.75)	—	(1.21)	(1.46)	—	(2.67)	73.81
Dec. 31, 2010	71.26	2.31	(0.65)	0.90	5.91	8.47	—	(1.48)	—	—	(1.48)	78.36
Dec. 31, 2009	54.79	2.36	(0.55)	1.13	15.25	18.19	—	(1.67)	—	—	(1.67)	71.26
Series O												
June 30, 2014	88.43	1.59	(0.01)	1.77	6.63	9.98	—	(1.28)	—	—	(1.28)	97.15
Dec. 31, 2013	77.50	2.81	(0.02)	1.34	9.35	13.48	—	(2.58)	—	—	(2.58)	88.40
Dec. 31, 2012	72.01	2.51	(0.02)	2.63	3.78	8.90	—	(2.23)	(1.18)	—	(3.41)	77.50
Dec. 31, 2011	76.37	2.37	(0.02)	3.14	(6.54)	(1.05)	—	(1.81)	(1.41)	—	(3.22)	72.01
Dec. 31, 2010	69.42	2.25	(0.02)	0.88	5.75	8.86	—	(2.10)	—	—	(2.10)	76.37
Dec. 31, 2009	53.51	2.30	(0.01)	1.19	14.92	18.40	—	(2.27)	—	—	(2.27)	69.42

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	99.59	74 171	745	2.03	2.03	13.82	0.02
Dec. 31, 2013	90.69	71 435	788	2.03	2.03	13.49	0.02
Dec. 31, 2012	79.73	65 023	816	2.05	2.05	17.02	0.03
Dec. 31, 2011	74.09	58 549	790	2.05	2.05	25.12	0.04
Dec. 31, 2010	78.62	50 892	647	2.00	2.00	44.91	0.11
Dec. 31, 2009	71.51	29 917	418	1.92 ⁴	1.92	43.01	0.07
Advisor Series							
June 30, 2014	99.61	7 728	78	2.03	2.03	13.82	0.02
Dec. 31, 2013	90.70	7 258	80	2.03	2.03	13.49	0.02
Dec. 31, 2012	79.73	4 886	61	2.05	2.05	17.02	0.03
Dec. 31, 2011	74.09	2 553	34	2.05	2.05	25.12	0.04
Dec. 31, 2010 ⁵	78.62	236	3	2.00	2.00	44.91	0.11
Series D							
June 30, 2014	98.70	1 891 214	19 160	1.16	1.16	13.82	0.02
Dec. 31, 2013	89.87	1 780 315	19 809	1.16	1.16	13.49	0.02
Dec. 31, 2012	78.98	1 765 567	22 355	1.18	1.18	17.02	0.03
Dec. 31, 2011	73.41	1 805 881	24 600	1.18	1.18	25.12	0.04
Dec. 31, 2010	77.92	2 059 340	26 430	1.14	1.14	44.91	0.11
Dec. 31, 2009	70.85	2 056 122	29 021	1.11 ⁴	1.11	43.01	0.07
Series F							
June 30, 2014	99.41	28 591	288	0.92	0.92	13.82	0.02
Dec. 31, 2013	90.51	25 654	283	0.93	0.93	13.49	0.02
Dec. 31, 2012	79.53	21 181	266	0.94	0.94	17.02	0.03
Dec. 31, 2011	73.92	26 270	355	0.94	0.94	25.12	0.04
Dec. 31, 2010	78.48	23 634	301	0.92	0.92	44.91	0.11
Dec. 31, 2009	71.40	17 579	246	0.87 ⁴	0.87	43.01	0.07
Series O							
June 30, 2014	97.15	844 952	8 698	0.02	0.02	13.82	0.02
Dec. 31, 2013	88.43	760 069	8 596	0.02	0.02	13.49	0.02
Dec. 31, 2012	77.63	525 399	6 768	0.02	0.02	17.02	0.03
Dec. 31, 2011	72.12	416 612	5 777	0.02	0.02	25.12	0.04
Dec. 31, 2010	76.49	419 867	5 489	0.02	0.02	44.91	0.11
Dec. 31, 2009	69.56	393 220	5 653	0.02 ⁴	0.02	43.01	0.07

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.93%, Series D – 1.12%, Series F – 0.89%, Series O – 0.02%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

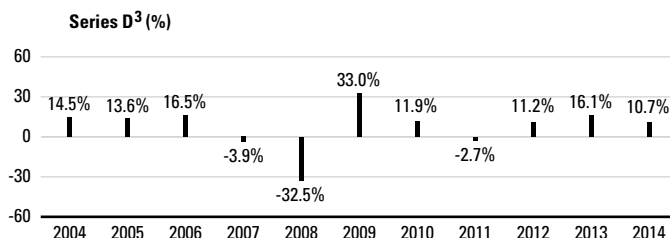
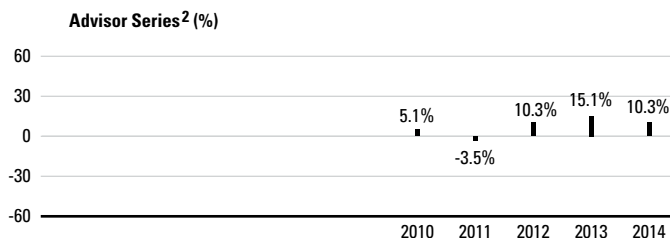
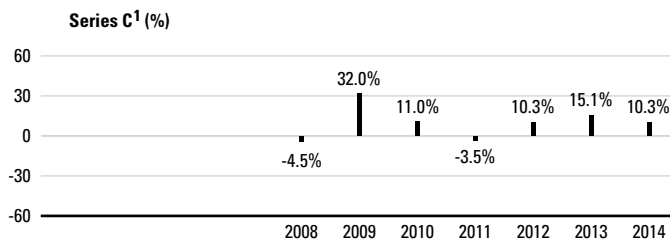
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

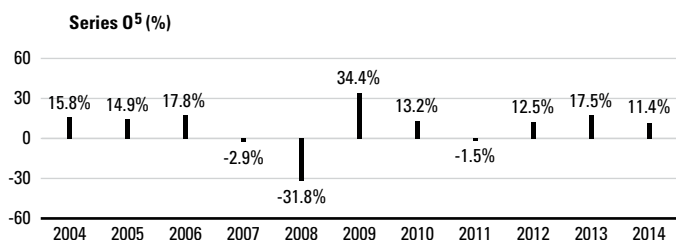
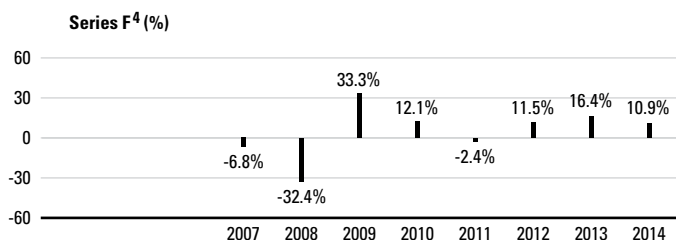
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date June 1977.

⁴ Inception date June 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	42.1
Energy	24.3
Utilities	6.8
Industrials	5.7
Telecommunication Services	5.3
Materials	5.2
Consumer Discretionary	4.6
Consumer Staples	1.4
Information Technology	0.6
Health Care	0.3
Cash/Other	3.7

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.2
Toronto-Dominion Bank	6.9
Bank of Nova Scotia	5.4
Suncor Energy Inc.	3.6
Canadian National Railway Co.	3.5
Cash & Cash Equivalents	3.4
Bank of Montreal	3.3
Canadian Imperial Bank of Commerce	3.2
Atco Ltd., Class I, Non-Voting	3.1
Enbridge Inc.	2.9
Canadian Natural Resources Ltd.	2.8
Brookfield Asset Management Inc., Class A	2.7
Cenovus Energy Inc.	2.4
Manulife Financial Corporation	2.3
CI Financial Corp.	2.1
TELUS Corp.	2.1
TransCanada Corp.	2.1
Magna International Inc., Class A	1.9
BCE Inc.	1.8
Power Corporation of Canada	1.8
Goldcorp Inc.	1.3
Sun Life Financial Inc.	1.2
Potash Corporation of Saskatchewan Inc.	1.2
Loblaw Companies Ltd.	1.1
Shaw Communications Inc., Class B	1.1
Top 25 Holdings	70.4

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund.

It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of common shares of Canadian companies. To achieve the Fund's investment objective, we invest in companies that we believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, strong earnings potential and a reasonable valuation.

Results of Operations

The Fund's net asset value was \$1.3 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 12.4%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. In the Fund, the portfolio manager added value in seven out of 10 sectors, with Materials, Financials and Industrials being the strongest. The Materials sector was the largest contributor to performance during the reporting period, driven by strong stock selection. In terms of security selection, overweight positions in CCL Industries and Primero Mining contributed to performance.

The Energy sector was the largest detractor to relative performance due to an underweight position in the strongest sector of the market and not owning two of the strongest pipeline companies, Pembina Pipeline (+25%) and Inter Pipeline (+31%) as compared to the Fund's benchmark, the S&P/TSX Capped Composite Index.

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns in 2014 versus those in 2013 to investors to be lower, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$50,000 (2013 – \$36,000), or 13% (2013 – 9%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

(d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	91.45	1.14	(0.96)	4.07	6.66	10.91	—	—	—	—	—	102.38
Dec. 31, 2013	77.99	2.16	(1.67)	2.51	10.72	13.72	—	(0.45)	—	—	(0.45)	91.42
Dec. 31, 2012	72.72	1.98	(1.52)	1.14	4.14	5.74	—	(0.51)	—	—	(0.51)	77.99
Dec. 31, 2011	85.81	2.17	(1.60)	2.27	(12.74)	(9.90)	—	(0.07)	(2.80)	—	(2.87)	72.72
Dec. 31, 2010	77.53	1.98	(1.53)	5.50	2.63	8.58	—	(0.70)	—	—	(0.70)	85.81
Dec. 31, 2009	58.10	1.84	(1.22)	0.01	5.91	6.54	—	(0.62)	—	—	(0.62)	77.53
Advisor Series												
June 30, 2014	91.46	1.14	(0.96)	4.07	6.67	10.92	—	—	—	—	—	102.39
Dec. 31, 2013	77.99	2.15	(1.73)	2.49	10.70	13.61	—	(0.45)	—	—	(0.45)	91.43
Dec. 31, 2012	72.72	1.98	(1.52)	1.14	4.14	5.74	—	(0.51)	—	—	(0.51)	77.99
Dec. 31, 2011	85.81	2.17	(1.60)	2.27	(12.74)	(9.90)	—	(0.07)	(2.80)	—	(2.87)	72.72
Dec. 31, 2010 ³	81.44 [†]	0.33	(0.26)	0.92	0.44	1.43	—	(0.70)	—	—	(0.70)	85.81
Series D												
June 30, 2014	88.91	1.11	(0.53)	3.96	6.49	11.03	—	—	—	—	—	99.97
Dec. 31, 2013	75.83	2.10	(0.93)	2.44	10.44	14.05	—	(1.20)	—	—	(1.20)	88.89
Dec. 31, 2012	70.70	1.93	(0.86)	1.11	4.02	6.20	—	(1.14)	—	—	(1.14)	75.83
Dec. 31, 2011	84.22	2.13	(0.91)	2.23	(12.50)	(9.05)	—	(1.29)	(2.82)	—	(4.11)	70.70
Dec. 31, 2010	76.09	1.94	(0.86)	5.38	2.58	9.04	—	(1.41)	—	—	(1.41)	84.22
Dec. 31, 2009	57.30	2.05	(0.74)	0.90	17.80	20.01	—	(1.20)	—	—	(1.20)	76.09
Series F												
June 30, 2014	90.62	1.14	(0.44)	4.04	6.62	11.36	—	—	—	—	—	102.00
Dec. 31, 2013	77.29	2.15	(0.77)	2.50	10.69	14.57	—	(1.42)	—	—	(1.42)	90.60
Dec. 31, 2012	72.07	1.97	(0.70)	1.13	4.11	6.51	—	(1.36)	—	—	(1.36)	77.29
Dec. 31, 2011	85.79	2.18	(0.74)	2.27	(12.75)	(9.04)	—	(1.49)	(2.83)	—	(4.32)	72.07
Dec. 31, 2010	77.44	1.99	(0.71)	5.52	2.64	9.44	—	(1.55)	—	—	(1.55)	85.79
Dec. 31, 2009	58.32	2.17	(0.61)	0.54	18.88	20.98	—	(1.39)	—	—	(1.39)	77.44
Series O												
June 30, 2014	88.46	1.11	(0.01)	3.95	6.47	11.52	—	—	—	—	—	100.01
Dec. 31, 2013	75.45	2.10	(0.02)	2.45	10.47	15.00	—	(2.19)	—	—	(2.19)	88.43
Dec. 31, 2012	70.36	1.93	(0.02)	1.11	4.03	7.05	—	(2.04)	—	—	(2.04)	75.45
Dec. 31, 2011	83.87	2.13	(0.02)	2.23	(12.49)	(8.15)	—	(2.16)	(2.83)	—	(4.99)	70.36
Dec. 31, 2010	75.81	1.93	(0.02)	5.38	2.57	9.86	—	(2.40)	—	—	(2.40)	83.87
Dec. 31, 2009	57.16	2.04	(0.01)	0.90	17.83	20.76	—	(2.03)	—	—	(2.03)	75.81

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	102.38	13 690	134	2.02	2.02	24.93	0.08
Dec. 31, 2013	91.45	12 632	138	2.02	2.02	21.73	0.08
Dec. 31, 2012	78.11	13 022	167	2.04	2.04	39.99	0.16
Dec. 31, 2011	72.83	11 586	159	2.03	2.03	58.64	0.14
Dec. 31, 2010	85.95	11 389	133	1.99	1.99	36.06	0.14
Dec. 31, 2009	77.67	6 935	89	1.92 ⁴	1.97	43.01	0.12
Advisor Series							
June 30, 2014	102.39	1 123	11	2.02	2.02	24.93	0.08
Dec. 31, 2013	91.46	983	11	2.02	2.02	21.73	0.08
Dec. 31, 2012	78.11	405	5	2.04	2.04	39.99	0.16
Dec. 31, 2011	72.83	379	5	2.03	2.03	58.64	0.14
Dec. 31, 2010 ⁵	85.95	–	–	1.99	1.99	36.06	0.14
Series D							
June 30, 2014	99.97	567 894	5 681	1.15	1.15	24.93	0.08
Dec. 31, 2013	88.91	521 091	5 861	1.15	1.15	21.73	0.08
Dec. 31, 2012	75.94	576 966	7 597	1.18	1.18	39.99	0.16
Dec. 31, 2011	70.81	679 886	9 602	1.18	1.18	58.64	0.14
Dec. 31, 2010	84.36	893 993	10 597	1.14	1.14	36.06	0.14
Dec. 31, 2009	76.23	881 686	11 566	1.11 ⁴	1.11	43.01	0.12
Series F							
June 30, 2014	102.00	6 948	68	0.92	0.92	24.93	0.08
Dec. 31, 2013	90.62	6 369	70	0.93	0.93	21.73	0.08
Dec. 31, 2012	77.40	5 747	74	0.94	0.94	39.99	0.16
Dec. 31, 2011	72.18	5 480	76	0.94	0.94	58.64	0.14
Dec. 31, 2010	85.93	5 864	68	0.91	0.91	36.06	0.14
Dec. 31, 2009	77.58	3 016	39	0.87 ⁴	0.91	43.01	0.12
Series O							
June 30, 2014	100.01	730 912	7 309	0.02	0.02	24.93	0.08
Dec. 31, 2013	88.46	698 439	7 896	0.02	0.02	21.73	0.08
Dec. 31, 2012	75.56	640 593	8 478	0.02	0.02	39.99	0.16
Dec. 31, 2011	70.47	666 585	9 459	0.02	0.02	58.64	0.14
Dec. 31, 2010	84.01	903 087	10 750	0.02	0.02	36.06	0.14
Dec. 31, 2009	75.95	1 162 086	15 301	0.02 ⁴	0.02	43.01	0.12

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 2.00%, Series D – 1.11%, Series F – 0.89%, Series O – 0.02%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

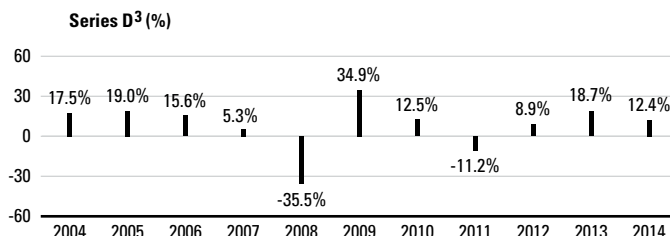
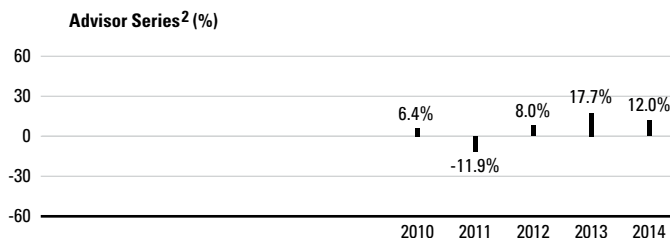
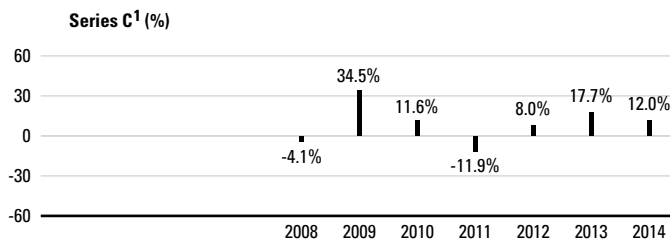
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

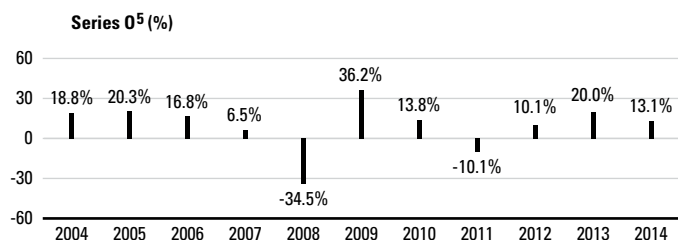
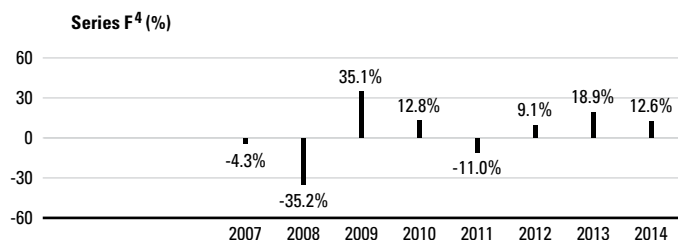
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date June 1971.

⁴ Inception date June 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	34.8
Energy	24.8
Materials	10.8
Industrials	7.6
Consumer Discretionary	7.2
Consumer Staples	4.1
Telecommunication Services	3.3
Information Technology	3.2
Health Care	3.2
Utilities	0.6
Cash/Other	0.4

Top 25 Holdings

	% of Net Asset Value
Phillips, Hager & North Small Float Fund	12.5
Toronto-Dominion Bank	7.4
Royal Bank of Canada	6.7
Bank of Nova Scotia	6.1
Suncor Energy Inc.	4.3
Canadian Natural Resources Ltd.	4.1
Canadian National Railway Co.	3.3
Enbridge Inc.	3.1
Manulife Financial Corporation	3.1
Valeant Pharmaceuticals International Inc.	2.6
Cenovus Energy Inc.	2.4
Brookfield Asset Management Inc., Class A	2.4
ARC Resources Ltd.	2.0
TELUS Corp.	2.0
Potash Corporation of Saskatchewan Inc.	1.9
Bank of Montreal	1.7
TransCanada Corp.	1.7
Alimentation Couche-Tard Inc.	1.6
Power Corporation of Canada	1.5
CGI Group Inc., Class A	1.5
Magna International Inc., Class A	1.4
Rogers Communications Inc., Class B	1.3
Crescent Point Energy Corp.	1.3
Talisman Energy Inc.	1.2
Thomson Corp.	1.0
Top 25 Holdings	78.1

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
COMMUNITY VALUES CANADIAN
EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in common shares of high-quality Canadian companies. Our intention is that only the securities of companies that conduct themselves in a socially responsible manner will be included in the portfolio. To achieve the Fund's investment objective, we invest in companies that we believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$75.5 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 11.6%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. In the Fund, the portfolio manager added value in five out of 10 sectors, with Industrials, Consumer Staples and Materials being the most significant contributors. The Industrials sector was the largest contributor to performance during the reporting period, driven by strong stock selection. In terms of security selection, overweight positions in Boyd Group Income Fund and Badger Daylighting contributed to performance.

The Energy sector was one of the largest detractors to relative performance due to our underweight position in the strongest sector of the market and not owning two of the strongest pipeline companies, Pembina Pipeline (+25%) and Inter Pipeline (+31%).

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage arrangements at market rates with related-party dealers. These related-party commissions were \$2,000 (2013 – \$1,000), or 7% (2013 – 4%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
 CANADIAN EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	23.49	0.34	(0.25)	0.61	1.98	2.68	—	—	—	—	—	26.11
Dec. 31, 2013	19.80	0.60	(0.44)	0.71	3.00	3.87	—	(0.14)	—	—	(0.14)	23.48
Dec. 31, 2012	18.20	0.54	(0.39)	(0.16)	1.89	1.88	—	(0.15)	—	—	(0.15)	19.80
Dec. 31, 2011	20.46	0.54	(0.39)	0.79	(3.06)	(2.12)	—	(0.07)	(0.17)	—	(0.24)	18.20
Dec. 31, 2010	18.73	0.55	(0.37)	0.37	1.34	1.89	—	(0.13)	—	—	(0.13)	20.46
Dec. 31, 2009	14.18	0.59	(0.37)	0.43	3.77	4.42	—	(0.16)	—	—	(0.16)	18.73
Advisor Series												
June 30, 2014	23.49	0.34	(0.25)	0.61	1.97	2.67	—	—	—	—	—	26.10
Dec. 31, 2013	19.80	0.60	(0.45)	0.71	3.00	3.86	—	(0.14)	—	—	(0.14)	23.48
Dec. 31, 2012	18.20	0.54	(0.39)	(0.16)	1.89	1.88	—	(0.15)	—	—	(0.15)	19.80
Dec. 31, 2011	20.46	0.54	(0.39)	0.79	(3.06)	(2.12)	—	(0.07)	(0.17)	—	(0.24)	18.20
Dec. 31, 2010 ³	19.60 [†]	0.09	(0.06)	0.06	0.22	0.31	—	(0.13)	—	—	(0.13)	20.46
Series D												
June 30, 2014	23.34	0.34	(0.15)	0.61	1.97	2.77	—	—	—	—	—	26.04
Dec. 31, 2013	19.67	0.59	(0.26)	0.71	2.99	4.03	—	(0.33)	—	—	(0.33)	23.33
Dec. 31, 2012	18.08	0.54	(0.23)	(0.16)	1.88	2.03	—	(0.31)	—	—	(0.31)	19.67
Dec. 31, 2011	20.33	0.54	(0.23)	0.79	(3.06)	(1.96)	—	(0.21)	(0.17)	—	(0.38)	18.08
Dec. 31, 2010	18.60	0.55	(0.22)	0.37	1.34	2.04	—	(0.29)	—	—	(0.29)	20.33
Dec. 31, 2009	14.08	0.56	(0.22)	(0.14)	4.63	4.83	—	(0.31)	—	—	(0.31)	18.60
Series F												
June 30, 2014	23.64	0.34	(0.12)	0.61	2.00	2.83	—	—	—	—	—	26.42
Dec. 31, 2013	19.93	0.61	(0.20)	0.73	3.05	4.19	—	(0.40)	—	—	(0.40)	23.63
Dec. 31, 2012	18.31	0.55	(0.18)	(0.16)	1.91	2.12	—	(0.37)	—	—	(0.37)	19.93
Dec. 31, 2011	20.58	0.54	(0.18)	0.80	(3.08)	(1.92)	—	(0.26)	(0.17)	—	(0.43)	18.31
Dec. 31, 2010	18.84	0.55	(0.17)	0.37	1.36	2.11	—	(0.35)	—	—	(0.35)	20.58
Dec. 31, 2009	14.29	0.57	(0.18)	(0.22)	4.97	5.14	—	(0.39)	—	—	(0.39)	18.84
Series O												
June 30, 2014	23.46	0.34	(0.01)	0.61	1.98	2.92	—	—	—	—	—	26.32
Dec. 31, 2013	19.78	0.60	(0.02)	0.72	3.01	4.31	—	(0.59)	—	—	(0.59)	23.45
Dec. 31, 2012	18.18	0.54	(0.02)	(0.16)	1.90	2.26	—	(0.54)	—	—	(0.54)	19.78
Dec. 31, 2011	20.44	0.54	(0.02)	0.79	(3.07)	(1.76)	—	(0.41)	(0.17)	—	(0.58)	18.18
Dec. 31, 2010	18.72	0.55	(0.02)	0.37	1.35	2.25	—	(0.53)	—	—	(0.53)	20.44
Dec. 31, 2009	14.17	0.57	(0.02)	(0.25)	4.79	5.09	—	(0.52)	—	—	(0.52)	18.72

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	26.11	1 345	52	2.06	2.06	27.41	0.08
Dec. 31, 2013	23.49	1 092	46	2.06	2.06	31.14	0.09
Dec. 31, 2012	19.84	921	46	2.05	2.05	44.66	0.16
Dec. 31, 2011	18.23	911	50	2.02	2.02	73.06	0.22
Dec. 31, 2010	20.49	910	44	1.99	1.99	41.74	0.09
Dec. 31, 2009	18.77	476	25	2.05 ⁴	2.42	56.05	0.11
Advisor Series							
June 30, 2014	26.10	639	24	2.06	2.06	27.41	0.08
Dec. 31, 2013	23.49	451	19	2.06	2.06	31.14	0.09
Dec. 31, 2012	19.84	113	6	2.05	2.05	44.66	0.16
Dec. 31, 2011	18.23	62	3	2.02	2.02	73.06	0.22
Dec. 31, 2010 ⁵	20.49	–	–	1.99	1.99	41.74	0.09
Series D							
June 30, 2014	26.04	20 947	804	1.20	1.20	27.41	0.08
Dec. 31, 2013	23.34	18 305	784	1.21	1.21	31.14	0.09
Dec. 31, 2012	19.71	17 966	911	1.22	1.22	44.66	0.16
Dec. 31, 2011	18.12	18 880	1 042	1.22	1.22	73.06	0.22
Dec. 31, 2010	20.36	22 028	1 082	1.20	1.20	41.74	0.09
Dec. 31, 2009	18.64	22 776	1 222	1.32 ⁴	1.32	56.05	0.11
Series F							
June 30, 2014	26.42	688	26	0.93	0.93	27.41	0.08
Dec. 31, 2013	23.64	595	25	0.95	0.95	31.14	0.09
Dec. 31, 2012	19.97	409	21	0.94	0.94	44.66	0.16
Dec. 31, 2011	18.35	327	18	0.93	0.93	73.06	0.22
Dec. 31, 2010	20.62	273	13	0.91	0.91	41.74	0.09
Dec. 31, 2009	18.88	201	11	1.05 ⁴	1.23	56.05	0.11
Series O							
June 30, 2014	26.32	51 923	1 973	0.11	0.11	27.41	0.08
Dec. 31, 2013	23.46	38 539	1 642	0.12	0.12	31.14	0.09
Dec. 31, 2012	19.82	37 752	1 905	0.12	0.12	44.66	0.16
Dec. 31, 2011	18.22	42 105	2 311	0.12	0.12	73.06	0.22
Dec. 31, 2010	20.47	37 289	1 822	0.11	0.11	41.74	0.09
Dec. 31, 2009	18.76	33 148	1 767	0.14 ⁴	0.14	56.05	0.11

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.92%, Series D – 1.16%, Series F – 0.89%, Series O – 0.11%.

⁵ From October 2010.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

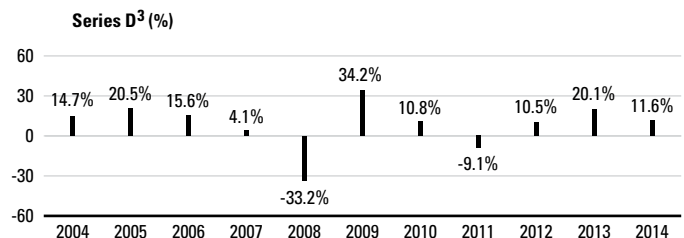
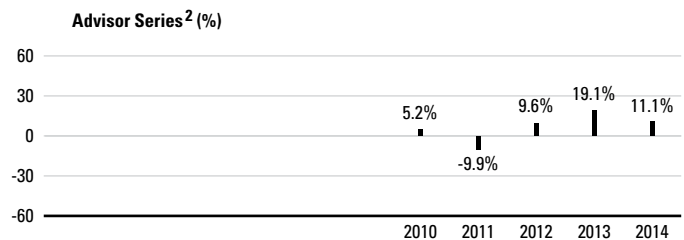
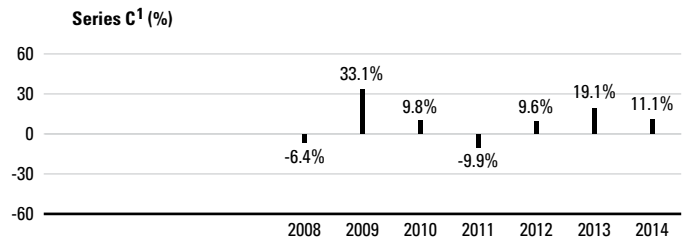
* Includes all costs related to management, investment advisory services, general administration and profit.

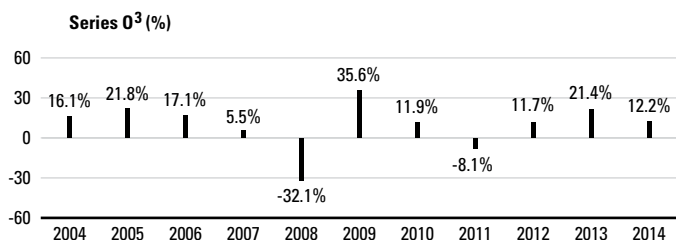
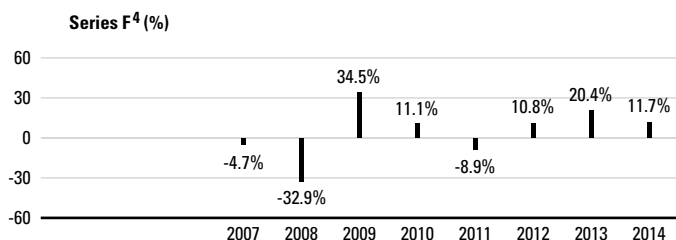
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
PAST PERFORMANCE (cont.)


¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date September 2002.

⁴ Inception date June 2007.

Series D was known as Series A prior to November 17, 2008. Although the Fund was prospectused in August 2002, Series A and Series O units were not offered for sale until September 2002. We are therefore not permitted to disclose performance data for this Fund for any period prior to September 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	36.2
Energy	22.0
Materials	8.2
Consumer Discretionary	8.1
Industrials	7.2
Telecommunication Services	5.8
Information Technology	3.3
Health Care	3.1
Consumer Staples	2.7
Other	2.1
Utilities	0.6
Cash/Other	0.7

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	7.1
Royal Bank of Canada	6.8
Bank of Nova Scotia	6.0
Suncor Energy Inc.	4.6
Canadian Natural Resources Ltd.	4.4
Canadian National Railway Co.	3.9
Manulife Financial Corporation	3.1
Valeant Pharmaceuticals International Inc.	2.6
Cenovus Energy Inc.	2.6
Brookfield Asset Management Inc., Class A	2.4
TELUS Corp.	2.3
Bank of Montreal	2.0
Potash Corporation of Saskatchewan Inc.	1.9
ARC Resources Ltd.	1.9
BCE Inc.	1.9
Magna International Inc., Class A	1.8
TransCanada Corp.	1.7
Great-West Lifeco Inc.	1.7
Rogers Communications Inc., Class B	1.7
Power Corporation of Canada	1.5
CGI Group Inc., Class A	1.4
Crescent Point Energy Corp.	1.3
Thomson Corp.	1.2
Talisman Energy Inc.	1.1
Agnico Eagle Mines Ltd.	1.1
Top 25 Holdings	68.0

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY VALUE FUND**

June 30, 2014

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

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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.

Results of Operations

The Fund's net asset value was \$971 million as of June 30, 2014.

Over the past six months, the Fund's Series D units gained 11.6%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index outpaced most other developed-market economies during the first half of 2014. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged the overall market in recent years. Canadian stocks were boosted by continued economic recoveries in the U.S. and Europe, generating demand for Canada's resources. Russia's seizure of the Crimean region from Ukraine and conflict in Iraq also aided Canada's Energy sector on worries that developments in those regions would jeopardize energy supplies. Emerging markets recovered somewhat in the latter stages of the period, also adding to the allure of Canadian stocks.

Within the Fund, strong performance in the Energy, Health Care and Financials sectors was offset by weaker performance in the Industrials and Materials sectors.

In the Energy sector, security selection proved to be the key driver of strong relative performance for the Fund amid higher commodity prices. Overweight positions in Canadian Natural Resources, Suncor Energy and Crew Energy boosted returns.

In Health Care, a complete lack of exposure to Valeant Pharmaceuticals proved beneficial for the Fund's performance. The stock underperformed as the company met resistance to its proposed takeover of U.S. health-care company Allergan.

In the Financials sector, notable contributors included GMP Capital, which rallied with a rebound in equity underwritings, and Bank of Nova Scotia, which benefited from a better earnings outlook in its international division. An overweight position in Power Corp. had a negative impact on returns as the stock underperformed.

In the Industrials sector, an overweight position in Bombardier was negative after Air Canada announced that it would not place an order for the new CSeries airplane. Later in the month, the CSeries test program stalled after an engine incident, further pressuring the

shares. A relative lack of exposure to Canadian Pacific Railway also weighed on the Fund's performance, as the company benefited from strong rail volumes and improving profit margins.

An underweight allocation to the Materials sector was the primary contributor to the Fund's underperformance. The Fund missed out on the year-to-date rally in many gold-producing companies. A lack of exposure to strong performers Franco-Nevada and Eldorado Gold proved especially negative for the Fund's performance.

Recent Developments

In the portfolio manager's view, strong Canadian equity-market returns during the first half of the year should be met with some caution, as relatively slow labour-market growth and ever-rising house prices are causes for concern. However, prospects for exports should improve as the U.S. economy strengthens and the Canadian dollar softens. In this mixed environment, the Bank of Canada appears unlikely to raise its benchmark interest rate in the coming year.

Recent U.S. economic data has been generally better than expected, indicating that weakness early in the year may have been temporary. U.S. growth should support the U.S. Federal Reserve's continued reduction of extraordinary monetary policy. In Europe, expectations for comprehensive stimulative action were surpassed in June, when the European Central Bank cut its benchmark interest rate and began charging banks for deposits held at the central bank to encourage lending. China continues to adjust to a lower-than-historical growth rate, with the economy looking less sure-footed than in the past, and geopolitical concerns continuing to mount.

Effective June 27, 2014, the RBC DS Canadian Focus Fund merged into the Fund, and unitholders of the RBC DS Canadian Focus Fund received units of the Fund on a dollar-for-dollar, tax-deferred basis.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series, Series H and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$37,000 (2013 – \$57,000), or 10% (2013 – 20%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	12.86	0.19	(0.14)	0.52	0.88	1.45	—	(0.04)	(0.29)	—	(0.33)	13.96
Dec. 31, 2013	11.33	0.36	(0.24)	0.20	1.62	1.94	—	—	—	—	—	12.85
Dec. 31, 2012	10.45	0.31	(0.22)	0.37	0.84	1.30	—	—	(0.32)	—	(0.32)	11.33
Dec. 31, 2011	11.28	0.34	(0.22)	(0.24)	(0.82)	(0.94)	—	—	(0.14)	—	(0.14)	10.45
Dec. 31, 2010	10.04	0.31	(0.21)	0.74	1.57	2.41	—	—	(0.33)	—	(0.33)	11.28
Dec. 31, 2009 ³	10.00 [†]	—	—	—	0.04	—	—	—	—	—	—	10.04
Advisor Series												
June 30, 2014	12.86	0.15	(0.22)	0.40	0.68	1.01	—	(0.04)	(0.28)	—	(0.32)	13.94
Dec. 31, 2013	11.33	0.35	(0.25)	0.19	1.56	1.85	—	—	—	—	—	12.85
Dec. 31, 2012	10.45	0.31	(0.22)	0.37	0.84	1.30	—	—	(0.32)	—	(0.32)	11.33
Dec. 31, 2011	11.28	0.34	(0.22)	(0.24)	(0.82)	(0.94)	—	—	(0.14)	—	(0.14)	10.45
Dec. 31, 2010 ⁴	10.99 [†]	0.05	(0.03)	0.12	0.26	0.40	—	—	(0.33)	—	(0.33)	11.28
Series H												
June 30, 2014	12.86	0.19	(0.12)	0.52	0.88	1.47	—	(0.06)	(0.28)	—	(0.34)	13.96
Dec. 31, 2013 ⁵	11.75 [†]	0.12	(0.10)	0.06	0.52	0.60	—	—	—	—	—	12.85
Series D												
June 30, 2014	13.00	0.19	(0.08)	0.52	0.89	1.52	—	(0.11)	(0.29)	—	(0.39)	14.12
Dec. 31, 2013	11.45	0.37	(0.15)	0.20	1.64	2.06	—	—	—	—	—	12.99
Dec. 31, 2012	10.54	0.30	(0.14)	0.37	0.82	1.35	(0.07)	—	(0.32)	—	(0.39)	11.45
Dec. 31, 2011	11.32	0.30	(0.13)	(0.21)	(0.72)	(0.76)	—	(0.03)	(0.14)	—	(0.17)	10.54
Dec. 31, 2010	10.04	0.31	(0.13)	0.74	1.57	2.49	—	(0.03)	(0.35)	—	(0.38)	11.32
Dec. 31, 2009 ³	10.00 [†]	—	—	—	0.04	—	—	—	—	—	—	10.04
Series F												
June 30, 2014	13.03	0.19	(0.06)	0.52	0.89	1.54	—	(0.12)	(0.29)	—	(0.40)	14.15
Dec. 31, 2013	11.48	0.36	(0.11)	0.20	1.63	2.08	—	—	—	—	—	13.02
Dec. 31, 2012	10.57	0.31	(0.11)	0.37	0.84	1.41	(0.11)	—	(0.32)	—	(0.43)	11.48
Dec. 31, 2011	11.35	0.32	(0.10)	(0.23)	(0.78)	(0.79)	—	(0.06)	(0.14)	—	(0.20)	10.57
Dec. 31, 2010	10.04	0.24	(0.10)	0.58	1.24	1.96	—	(0.06)	(0.33)	—	(0.39)	11.35
Dec. 31, 2009 ³	10.00 [†]	—	—	—	0.04	—	—	—	—	—	—	10.04
Series I												
June 30, 2014	13.02	0.19	(0.05)	0.53	0.90	1.57	—	(0.14)	(0.29)	—	(0.43)	14.13
Dec. 31, 2013 ⁵	11.99 [†]	0.13	(0.04)	0.07	0.56	0.72	—	—	—	—	—	13.01

FINANCIAL HIGHLIGHTS (cont.)

Change in Net Assets Per Unit (\$) (cont.)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series O												
June 30, 2014	12.99	0.19	–	0.52	0.89	1.60	–	(0.19)	(0.29)	–	(0.48)	14.10
Dec. 31, 2013	11.45	0.36	(0.01)	0.20	1.62	2.17	–	–	–	–	–	12.99
Dec. 31, 2012	10.54	0.31	(0.01)	0.37	0.83	1.50	(0.21)	–	(0.32)	–	(0.53)	11.45
Dec. 31, 2011	11.32	0.28	(0.01)	(0.20)	(0.69)	(0.62)	–	(0.15)	(0.14)	–	(0.29)	10.54
Dec. 31, 2010	10.04	0.27	(0.01)	0.63	1.35	2.24	–	(0.15)	(0.37)	–	(0.52)	11.32
Dec. 31, 2009 ³	10.00 [†]	–	–	–	0.04	–	–	–	–	–	–	10.04

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From December 2009.

⁴ From October 2010.

⁵ From August 2013.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	13.96	11 764	843	2.07	2.07	63.52	0.13
Dec. 31, 2013	12.86	10 343	804	2.06	2.06	70.36	0.18
Dec. 31, 2012	11.35	9 977	879	2.04	2.04	109.96	0.32
Dec. 31, 2011	10.46	8 990	859	2.02	2.02	168.85	0.48
Dec. 31, 2010	11.30	7 203	637	2.02	2.02	163.23	0.46
Dec. 31, 2009 ⁴	10.04	248	25	1.94	1.94	–	0.03
Advisor Series							
June 30, 2014	13.94	303 903	21 797	2.07	2.07	63.52	0.13
Dec. 31, 2013	12.86	1 910	149	2.06	2.06	70.36	0.18
Dec. 31, 2012	11.35	1 363	120	2.04	2.04	109.96	0.32
Dec. 31, 2011	10.46	967	92	2.02	2.02	168.85	0.48
Dec. 31, 2010 ⁵	11.30	1 006	89	2.02	2.02	163.23	0.46
Series H							
June 30, 2014	13.96	257	18	1.79	1.79	63.52	0.13
Dec. 31, 2013 ⁶	12.86	231	18	1.92	1.92	70.36	0.18
Series D							
June 30, 2014	14.12	69 276	4 908	1.19	1.19	63.52	0.13
Dec. 31, 2013	13.00	62 460	4 804	1.21	1.21	70.36	0.18
Dec. 31, 2012	11.47	54 426	4 745	1.23	1.23	109.96	0.32
Dec. 31, 2011	10.56	27 641	2 618	1.23	1.23	168.85	0.48
Dec. 31, 2010	11.34	4 792	423	1.22	1.22	163.23	0.46
Dec. 31, 2009 ⁴	10.04	1	–	1.09	1.09	–	0.03

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data (cont.)

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2014	14.15	104 880	7 410	0.95	0.95	63.52	0.13
Dec. 31, 2013	13.03	48 817	3 747	0.95	0.95	70.36	0.18
Dec. 31, 2012	11.50	31 012	2 697	0.95	0.95	109.96	0.32
Dec. 31, 2011	10.59	19 262	1 820	0.94	0.94	168.85	0.48
Dec. 31, 2010	11.37	9 254	814	0.96	0.96	163.23	0.46
Dec. 31, 2009 ⁴	10.04	1	—	0.73	0.73	—	0.03
Series I							
June 30, 2014	14.13	4 412	312	0.79	0.79	63.52	0.13
Dec. 31, 2013 ⁶	13.02	4 186	322	0.81	0.81	70.36	0.18
Series O							
June 30, 2014	14.10	476 809	33 810	0.06	0.06	63.52	0.13
Dec. 31, 2013	12.99	373 388	28 737	0.06	0.06	70.36	0.18
Dec. 31, 2012	11.47	183 043	15 963	0.06	0.06	109.96	0.32
Dec. 31, 2011	10.56	87 282	8 267	0.06	0.06	168.85	0.48
Dec. 31, 2010	11.34	19 461	1 717	0.07	0.07	163.23	0.46
Dec. 31, 2009 ⁴	10.04	1	—	—	—	—	0.03

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From December 2009.

⁵ From October 2010.

⁶ From August 2013.

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund.

Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series H	1.60%	63%	37%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%
Series I	0.60%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

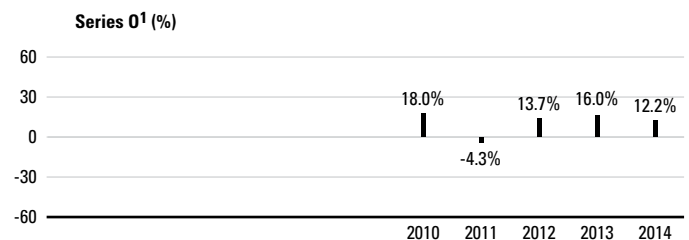
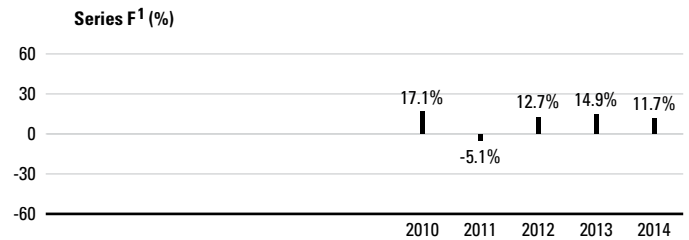
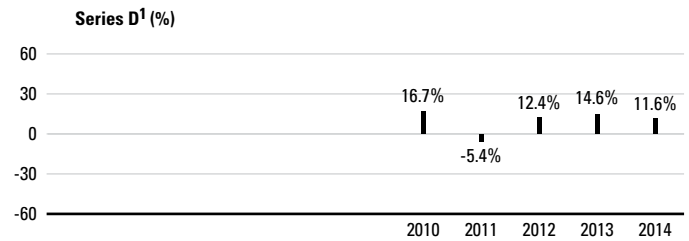
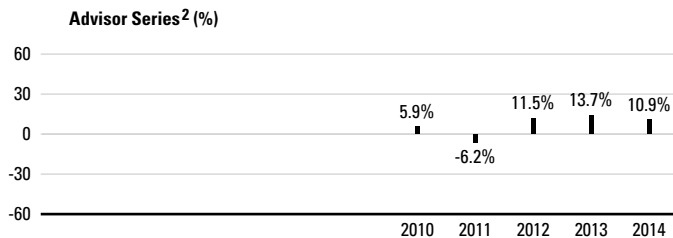
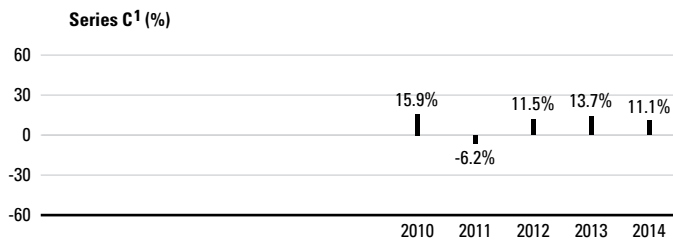
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date December 2009.

² Inception date October 2010.

³ Inception date August 2013.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	35.8
Energy	24.8
Materials	9.1
Industrials	8.7
Consumer Discretionary	4.8
Consumer Staples	3.1
Telecommunication Services	2.7
Utilities	1.7
Information Technology	1.6
Other	1.0
Cash/Other	6.7

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	6.7
Cash & Cash Equivalents	6.4
Toronto-Dominion Bank	5.6
Bank of Nova Scotia	5.6
Canadian National Railway Co.	4.6
Suncor Energy Inc.	4.5
Canadian Natural Resources Ltd.	3.9
Bank of Montreal	2.8
Enbridge Inc.	2.8
Manulife Financial Corporation	2.7
Brookfield Asset Management Inc., Class A	2.4
TransCanada Corp.	2.4
Goldcorp Inc.	2.2
Canadian Imperial Bank of Commerce	2.1
Canadian Pacific Railway Ltd.	1.8
Potash Corporation of Saskatchewan Inc.	1.8
Cenovus Energy Inc.	1.7
Loblaw Companies Ltd.	1.6
Encana Corp.	1.5
Thomson Corp.	1.4
TELUS Corp.	1.4
CI Financial Corp.	1.4
Husky Energy Inc.	1.4
Magna International Inc., Class A	1.3
Imperial Oil Ltd.	1.3
Top 25 Holdings	71.3

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE
Investment Objective and Strategies

The Fund seeks 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.

To achieve the Fund's investment objectives we will focus primarily on larger-capitalization stocks. We generally invest in growth companies that have superior management, industry leadership, a high level of profitability compared with competitors, a sound financial position, strong earnings growth and a reasonable valuation.

Results of Operations

The Fund's net asset value was \$2.8 billion as of June 30, 2014.

Over the past six months, the Fund's units returned 13.0%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. In the Fund, the portfolio manager added value in seven out of 10 sectors, with Materials, Financials and Industrials being the strongest. The Materials sector was the largest contributor to performance during the reporting period, driven by strong stock selection. In terms of security selection, overweight positions in CCL Industries and Primero Mining contributed to performance.

The Energy sector was the largest detractor to relative performance due to an underweight position in the strongest sector of the market and not owning two of the strongest pipeline companies, Pembina Pipeline (+25%) and Inter Pipeline (+31%) as compared to the Fund's benchmark, the S&P/TSX Capped Composite Index.

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As

long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions
Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$154,000 (2013 – \$87,000), or 13% (2013 – 10%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

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Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series 0												
June 30, 2014	11.11	0.15	–	0.37	0.93	1.45	–	–	–	–	–	12.56
Dec. 31, 2013	9.49	0.27	–	0.26	2.10	2.63	–	(0.17)	(0.10)	–	(0.27)	11.10
Dec. 31, 2012	8.85	0.25	–	(0.19)	0.87	0.93	–	(0.27)	–	–	(0.27)	9.49
Dec. 31, 2011 ³	10.00 [†]	0.27	–	(0.55)	(1.10)	(1.38)	(0.02)	(0.12)	–	–	(0.14)	8.85

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From January 2011.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series 0							
June 30, 2014	12.56	2 796 901	222 736	0.02	0.02	37.42	0.09
Dec. 31, 2013	11.11	2 380 463	214 294	0.02	0.02	37.75	0.12
Dec. 31, 2012	9.51	663 966	69 842	0.02	0.02	56.51	0.17
Dec. 31, 2011 ⁴	8.87	671 650	75 696	0.02	0.02	70.24	0.21

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From January 2011.

Management Fees

RBC GAM is the manager, portfolio advisor and registrar of the Fund. No management fees are paid by the Fund in respect of Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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CANADIAN EQUITY UNDERLYING FUND
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	34.6
Energy	24.5
Materials	10.6
Industrials	7.4
Consumer Discretionary	7.0
Consumer Staples	4.1
Health Care	3.3
Information Technology	3.3
Telecommunication Services	3.2
Utilities	0.6
Other	0.5
Cash/Other	0.9

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	7.4
Royal Bank of Canada	6.8
Bank of Nova Scotia	6.2
Suncor Energy Inc.	4.4
Canadian Natural Resources Ltd.	4.1
Canadian National Railway Co.	3.2
Enbridge Inc.	3.1
Manulife Financial Corporation	3.1
Valeant Pharmaceuticals International Inc.	2.7
Cenovus Energy Inc.	2.4
Brookfield Asset Management Inc., Class A	2.3
ARC Resources Ltd.	2.0
TELUS Corp.	1.9
Potash Corporation of Saskatchewan Inc.	1.9
TransCanada Corp.	1.7
Bank of Montreal	1.7
Alimentation Couche-Tard Inc.	1.6
CGI Group Inc., Class A	1.6
Power Corporation of Canada	1.6
Magna International Inc., Class A	1.4
Rogers Communications Inc., Class B	1.3
Crescent Point Energy Corp.	1.3
Talisman Energy Inc.	1.1
Thomson Corp.	1.0
SNC-Lavalin Group Inc.	1.0
Top 25 Holdings	66.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN GROWTH FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. To achieve the Fund's investment objective, we invest primarily in companies that we believe, among other things, have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$506.6 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 13.2%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

Most major global stock markets continued to move higher over the first half of 2014, supported by accommodative central bank policies. In spite of sluggish global growth rates, corporations continued to increase earnings due to a combination of low interest rates, cost-cutting, and share buybacks.

Canada was one of the top-performing global markets, with all sectors recording gains. The best-performing sectors in the Fund were Energy, Materials and Industrials.

In the Energy sector, the Fund benefited from its investment in Cardinal Energy, Raging River Exploration, Spartan Energy and Canyon Services. Following Cardinal Energy's initial public offering in December 2013, the shares have continued to rise as investors have become increasingly more confident in their "growth plus dividend" model.

Also during the first six months of this year, the Fund benefited from the strong share performance of Canyon Services. This Canadian-focused energy service pressure pumping and fracturing company recently completed two strategic and accretive acquisitions.

During the first six months of this year, the portfolio manager chose not to invest in several poor-performing stocks as compared to its benchmark, which also added to the Fund's relative performance. These included Bombardier and Great-West Lifeco. The Fund's performance was hurt by its investments in Power Corporation of Canada, Avigilon, Canexus and Loyalist.

The portfolio manager remained active during the period, adding several new names and eliminating or trimming several others. Positions were added in Callidus Capital, Spartan Energy, Gear Energy, Avigilon, WSP Global, Detour Gold, Brookfield Property Partners, Boyd Group Income Fund and Methanex.

The portfolio manager trimmed Shaw Communications and eliminated holdings in National Bank, Summit Industrial Income REIT, Bonterra Energy, HealthLease Properties REIT, Yamana Gold, HudBay Minerals and Longview Oil.

Recent Developments

While risks including the threat of deflation have faded, others have intensified. Geopolitical risks have mounted, most obviously in eastern Ukraine and Iraq. Emerging-market credit excesses remain largely unaddressed, with tentative evidence of a reckoning underway in Chinese housing. However, the portfolio manager's sense is that the coming economic good news for the developed world is more likely than not to trump the downside risks.

The portfolio manager continues to believe that the return of economic optimism in 2013 and the abatement of fiscal austerity this year will lead to faster growth for the rest of this year and beyond. Much of the improved global growth will come from rejuvenated developed nations, the U.S. in particular. A better outlook for the housing and jobs markets supports the portfolio manager's view that the outlook is brightening. The outlook is promising enough, in the view of the portfolio manager, to warrant an end to the U.S. Federal Reserve's extraordinary easing measures this year, with prospects for interest-rate hikes sometime in 2015.

The portfolio manager will continue to strategically favour companies that can grow their earnings at above-average rates.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$9,000 (2013 – \$15,000), or 4% (2013 – 13%) of the total transaction costs paid for this Fund during this period.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	31.23	0.44	(0.33)	0.75	3.10	3.96	—	—	—	—	—	35.20
Dec. 31, 2013	27.77	0.81	(0.58)	0.17	3.29	3.69	—	(0.17)	—	—	(0.17)	31.21
Dec. 31, 2012	26.10	0.68	(0.54)	0.40	1.21	1.75	—	(0.05)	—	—	(0.05)	27.77
Dec. 31, 2011	29.65	0.51	(0.56)	0.67	(4.11)	(3.49)	—	—	—	—	—	26.10
Dec. 31, 2010	25.34	0.78	(0.52)	1.16	4.09	5.51	—	—	—	—	—	29.65
Dec. 31, 2009	18.70	0.59	(0.45)	(1.87)	10.54	8.81	—	(0.03)	—	—	(0.03)	25.34
Advisor Series												
June 30, 2014	31.22	0.44	(0.33)	0.75	3.10	3.96	—	—	—	—	—	35.19
Dec. 31, 2013	27.77	0.76	(0.59)	0.16	3.07	3.40	—	(0.17)	—	—	(0.17)	31.20
Dec. 31, 2012	26.10	0.68	(0.54)	0.40	1.21	1.75	—	(0.05)	—	—	(0.05)	27.77
Dec. 31, 2011	29.65	0.51	(0.56)	0.67	(4.11)	(3.49)	—	—	—	—	—	26.10
Dec. 31, 2010 ³	27.89 [†]	0.13	(0.09)	0.19	0.68	0.91	—	—	—	—	—	29.65
Series D												
June 30, 2014	30.83	0.44	(0.19)	0.74	3.07	4.06	—	—	—	—	—	34.89
Dec. 31, 2013	27.41	0.81	(0.34)	0.17	3.26	3.90	—	(0.41)	—	—	(0.41)	30.81
Dec. 31, 2012	25.77	0.67	(0.32)	0.40	1.20	1.95	—	(0.27)	—	—	(0.27)	27.41
Dec. 31, 2011	29.20	0.51	(0.33)	0.66	(4.06)	(3.22)	—	(0.14)	—	—	(0.14)	25.77
Dec. 31, 2010	24.77	0.79	(0.30)	1.17	4.14	5.80	—	—	—	—	—	29.20
Dec. 31, 2009	18.56	0.58	(0.25)	(2.83)	8.85	6.35	—	(0.22)	—	—	(0.22)	24.77
Series F												
June 30, 2014	31.03	0.44	(0.15)	0.75	3.09	4.13	—	—	—	—	—	35.16
Dec. 31, 2013	27.59	0.81	(0.26)	0.17	3.29	4.01	—	(0.50)	—	—	(0.50)	31.00
Dec. 31, 2012	25.93	0.67	(0.25)	0.40	1.21	2.03	—	(0.35)	—	—	(0.35)	27.59
Dec. 31, 2011	29.38	0.51	(0.25)	0.66	(4.10)	(3.18)	—	(0.22)	—	—	(0.22)	25.93
Dec. 31, 2010	24.88	0.79	(0.23)	1.18	4.18	5.92	—	(0.02)	—	—	(0.02)	29.38
Dec. 31, 2009	18.55	0.56	(0.21)	(0.45)	7.88	7.78	—	(0.18)	—	—	(0.18)	24.88
Series O												
June 30, 2014	31.64	0.45	(0.01)	0.76	3.15	4.35	—	—	—	—	—	36.00
Dec. 31, 2013	28.13	0.83	(0.01)	0.17	3.36	4.35	—	(0.78)	—	—	(0.78)	31.61
Dec. 31, 2012	26.46	0.69	(0.01)	0.41	1.24	2.33	—	(0.62)	—	—	(0.62)	28.13
Dec. 31, 2011	29.98	0.52	(0.01)	0.68	(4.19)	(3.00)	—	(0.46)	—	—	(0.46)	26.46
Dec. 31, 2010	25.33	0.57	(0.01)	0.84	2.98	4.38	—	(0.23)	—	—	(0.23)	29.98
Dec. 31, 2009	19.00	0.59	(0.01)	(2.86)	8.73	6.45	—	(0.50)	—	—	(0.50)	25.33

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	35.20	2 885	82	2.01	2.01	49.56	0.10
Dec. 31, 2013	31.23	2 801	90	2.01	2.01	44.12	0.07
Dec. 31, 2012	27.82	2 722	98	2.03	2.03	63.37	0.10
Dec. 31, 2011	26.15	2 448	94	2.04	2.04	41.27	0.07
Dec. 31, 2010	29.71	2 157	73	1.99	1.99	56.14	0.16
Dec. 31, 2009	25.40	848	33	1.99 ⁴	2.10	133.70	0.32
Advisor Series							
June 30, 2014	35.19	167	5	2.01	2.01	49.56	0.10
Dec. 31, 2013	31.22	147	5	2.01	2.01	44.12	0.07
Dec. 31, 2012	27.82	68	2	2.03	2.03	63.37	0.10
Dec. 31, 2011	26.15	56	2	2.04	2.04	41.27	0.07
Dec. 31, 2010 ⁵	29.71	–	–	1.99	1.99	56.14	0.16
Series D							
June 30, 2014	34.89	148 385	4 253	1.19	1.19	49.56	0.10
Dec. 31, 2013	30.83	138 825	4 503	1.19	1.19	44.12	0.07
Dec. 31, 2012	27.46	149 035	5 427	1.22	1.22	63.37	0.10
Dec. 31, 2011	25.82	164 779	6 381	1.22	1.22	41.27	0.07
Dec. 31, 2010	29.26	207 213	7 082	1.19	1.19	56.14	0.16
Dec. 31, 2009	24.83	195 293	7 864	1.19 ⁴	1.19	133.70	0.32
Series F							
June 30, 2014	35.16	454	13	0.89	0.89	49.56	0.10
Dec. 31, 2013	31.03	498	16	0.91	0.91	44.12	0.07
Dec. 31, 2012	27.64	473	17	0.94	0.94	63.37	0.10
Dec. 31, 2011	25.98	467	18	0.93	0.93	41.27	0.07
Dec. 31, 2010	29.44	222	8	0.92	0.92	56.14	0.16
Dec. 31, 2009	24.94	198	8	0.94 ⁴	1.51	133.70	0.32
Series O							
June 30, 2014	36.00	354 682	9 852	0.04	0.04	49.56	0.10
Dec. 31, 2013	31.64	301 342	9 526	0.04	0.04	44.12	0.07
Dec. 31, 2012	28.18	222 437	7 893	0.04	0.04	63.37	0.10
Dec. 31, 2011	26.51	186 366	7 030	0.04	0.04	41.27	0.07
Dec. 31, 2010	30.04	193 425	6 440	0.05	0.05	56.14	0.16
Dec. 31, 2009	25.39	6 002	236	0.05 ⁴	0.05	133.70	0.32

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.93%, Series D – 1.16%, Series F – 0.89%, Series O – 0.04%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

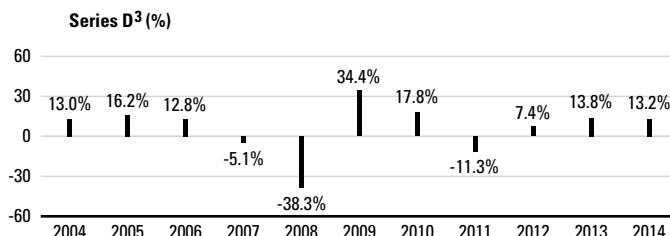
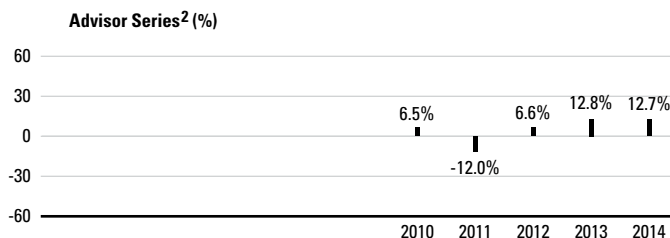
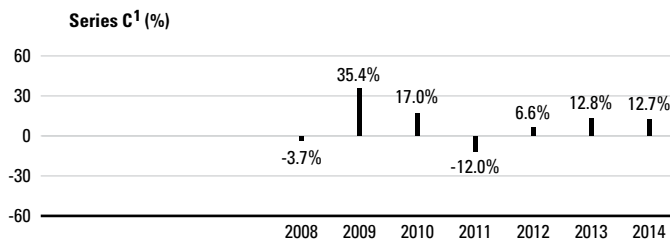
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

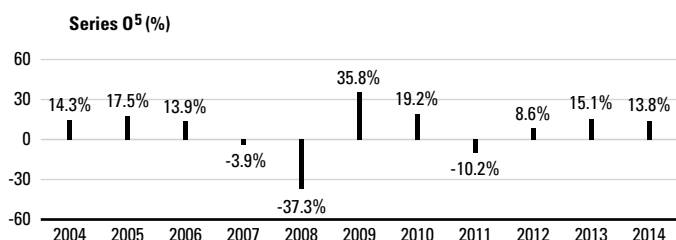
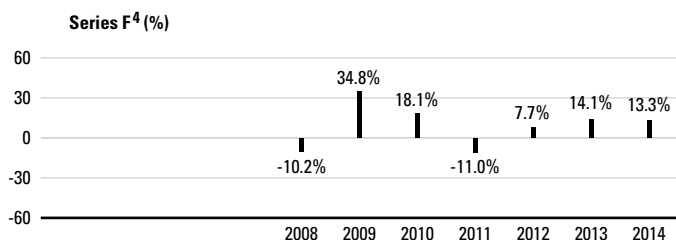
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Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date February 1987.

⁴ Inception date October 2008.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	32.3
Energy	26.4
Materials	11.4
Consumer Discretionary	6.9
Industrials	5.8
Other	3.3
Health Care	3.2
Telecommunication Services	2.4
Information Technology	2.3
Utilities	1.7
Consumer Staples	1.4
Cash/Other	2.9

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	5.8
Toronto-Dominion Bank	5.5
Bank of Nova Scotia	4.7
Suncor Energy Inc.	3.6
Canadian National Railway Co.	3.6
Canadian Natural Resources Ltd.	3.1
Cash & Cash Equivalents	2.7
Bank of Montreal	2.7
Valeant Pharmaceuticals International Inc.	2.4
Canadian Imperial Bank of Commerce	2.2
TransCanada Corp.	2.2
Manulife Financial Corporation	2.1
Enbridge Inc.	2.1
Magna International Inc., Class A	1.9
Power Corporation of Canada	1.7
BCE Inc.	1.7
Cenovus Energy Inc.	1.6
Goldcorp Inc.	1.4
Brookfield Asset Management Inc., Class A	1.3
Potash Corporation of Saskatchewan Inc.	1.2
Sun Life Financial Inc.	1.0
Encana Corp.	1.0
Crescent Point Energy Corp.	0.9
CI Financial Corp.	0.9
Barrick Gold Corp.	0.9
Top 25 Holdings	58.2

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CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN INCOME FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with capital preservation and a reasonably consistent level of income. To achieve the Fund's investment objective, we invest primarily in a well-diversified portfolio of dividend-paying Canadian common shares, high-quality units of Canadian income trusts or real estate investment trusts ("REITs"), and other income-producing securities including bonds of the Canadian government, provincial governments and quality Canadian corporations and high quality money market securities including asset backed commercial paper. The Fund's assets are concentrated in mid- and large-capitalization securities and it does not invest in businesses with excessive financial leverage.

Results of Operations

The Fund's net asset value was \$780.3 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 12.5%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. In the Fund, the portfolio manager added value in seven out of 10 sectors, with Materials, Utilities and Energy being the most significant contributors.

Towards the later part of 2013 the Fund had tactically added to its holdings of gold producers, which have continued to perform well through 2014. The Fund doesn't typically hold these types of stocks, but the negative sentiment towards the sector over the past couple of years created a very attractive risk/reward opportunity in the high-quality large-cap gold stocks, such as Agnico Eagle Mines (+46%) and Eldorado Gold (+31%). We have since reduced the Fund's exposure to gold stocks, but will continue to be tactical in our exposure as the opportunities arise.

As the market strength continues, the portfolio manager believes the overall risk/reward opportunity is decreasing. As a result, the portfolio manager has been reducing the Fund's exposure to cyclical stocks in favour of more defensive parts of the market. Our focus is on high-quality companies that can deliver a combination of yield and growth and that are better suited to weather a potential increase in market volatility.

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$126,000 (2013 – \$43,000), or 12% (2013 – 10%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors (“BoG”) in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	13.52	0.32	(0.14)	1.04	1.46	2.68	—	(0.06)	—	—	(0.06)	15.08
Dec. 31, 2013	11.80	0.40	(0.25)	1.11	0.56	1.82	—	(0.11)	—	—	(0.11)	13.51
Dec. 31, 2012	10.71	0.41	(0.23)	0.27	0.74	1.19	—	(0.12)	—	—	(0.12)	11.80
Dec. 31, 2011	11.28	0.41	(0.22)	0.41	(1.04)	(0.44)	—	(0.17)	—	—	(0.17)	10.71
Dec. 31, 2010	9.77	0.42	(0.20)	1.28	0.27	1.77	(0.07)	(0.17)	—	—	(0.24)	11.28
Dec. 31, 2009	7.10	0.50	(0.17)	(1.82)	5.55	4.06	(0.15)	(0.12)	—	—	(0.27)	9.77
Advisor Series												
June 30, 2014	13.52	0.32	(0.14)	1.03	1.45	2.66	—	(0.06)	—	—	(0.06)	15.08
Dec. 31, 2013	11.80	0.39	(0.26)	1.09	0.55	1.77	—	(0.11)	—	—	(0.11)	13.51
Dec. 31, 2012	10.71	0.41	(0.23)	0.27	0.74	1.19	—	(0.12)	—	—	(0.12)	11.80
Dec. 31, 2011	11.28	0.41	(0.22)	0.41	(1.04)	(0.44)	—	(0.17)	—	—	(0.17)	10.71
Dec. 31, 2010 ³	10.81 [†]	0.07	(0.03)	0.21	0.04	0.29	(0.03)	(0.06)	—	—	(0.09)	11.28
Series D												
June 30, 2014	13.47	0.32	(0.08)	1.04	1.46	2.74	—	(0.12)	—	—	(0.12)	15.02
Dec. 31, 2013	11.76	0.40	(0.15)	1.11	0.56	1.92	—	(0.22)	—	—	(0.22)	13.46
Dec. 31, 2012	10.70	0.41	(0.14)	0.27	0.74	1.28	—	(0.24)	—	—	(0.24)	11.76
Dec. 31, 2011	11.23	0.41	(0.13)	0.41	(1.04)	(0.35)	—	(0.22)	—	—	(0.22)	10.70
Dec. 31, 2010	9.71	0.42	(0.12)	1.27	0.27	1.84	(0.09)	(0.21)	—	—	(0.30)	11.23
Dec. 31, 2009	7.08	0.46	(0.09)	(2.69)	5.18	2.86	(0.21)	(0.16)	—	—	(0.37)	9.71
Series F												
June 30, 2014	13.52	0.32	(0.07)	1.04	1.46	2.75	—	(0.15)	—	—	(0.15)	15.06
Dec. 31, 2013	11.82	0.40	(0.12)	1.11	0.56	1.95	—	(0.28)	—	—	(0.28)	13.51
Dec. 31, 2012	10.78	0.42	(0.11)	0.27	0.75	1.33	—	(0.29)	—	—	(0.29)	11.82
Dec. 31, 2011	11.34	0.42	(0.10)	0.41	(1.05)	(0.32)	—	(0.28)	—	—	(0.28)	10.78
Dec. 31, 2010	9.78	0.43	(0.09)	1.28	0.27	1.89	(0.09)	(0.21)	—	—	(0.30)	11.34
Dec. 31, 2009	7.12	0.47	(0.08)	(1.10)	3.95	3.24	(0.20)	(0.17)	—	—	(0.37)	9.78
Series O												
June 30, 2014	13.42	0.19	—	0.60	0.84	1.63	—	(0.18)	—	—	(0.18)	14.99
Dec. 31, 2013	11.71	0.40	(0.01)	1.10	0.56	2.05	—	(0.35)	—	—	(0.35)	13.42
Dec. 31, 2012	10.64	0.41	(0.01)	0.26	0.73	1.39	—	(0.35)	—	—	(0.35)	11.71
Dec. 31, 2011	11.21	0.41	(0.01)	0.40	(1.04)	(0.24)	—	(0.39)	—	—	(0.39)	10.64
Dec. 31, 2010	9.65	0.42	(0.01)	1.26	0.27	1.94	(0.12)	(0.25)	—	—	(0.37)	11.21
Dec. 31, 2009	7.01	0.45	(0.01)	(2.88)	5.12	2.68	(0.23)	(0.19)	—	—	(0.42)	9.65

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	15.08	6 158	408	2.03	2.03	164.69	0.55
Dec. 31, 2013	13.52	5 619	416	2.03	2.03	187.07	0.53
Dec. 31, 2012	11.82	4 999	423	2.04	2.04	164.47	0.50
Dec. 31, 2011	10.72	4 989	465	2.06	2.06	267.31	0.84
Dec. 31, 2010	11.30	3 538	313	2.02	2.02	283.62	1.01
Dec. 31, 2009	9.81	537	55	2.02 ⁴	2.10	297.91	1.08
Advisor Series							
June 30, 2014	15.08	1 478	98	2.03	2.03	164.69	0.55
Dec. 31, 2013	13.52	1 286	95	2.03	2.03	187.07	0.53
Dec. 31, 2012	11.82	559	47	2.04	2.04	164.47	0.50
Dec. 31, 2011	10.72	507	47	2.06	2.06	267.31	0.84
Dec. 31, 2010 ⁵	11.30	45	4	2.02	2.02	283.62	1.01
Series D							
June 30, 2014	15.02	79 419	5 287	1.19	1.19	164.69	0.55
Dec. 31, 2013	13.47	73 018	5 421	1.20	1.20	187.07	0.53
Dec. 31, 2012	11.78	81 791	6 943	1.22	1.22	164.47	0.50
Dec. 31, 2011	10.72	88 068	8 218	1.23	1.23	267.31	0.84
Dec. 31, 2010	11.25	92 697	8 239	1.19	1.19	283.62	1.01
Dec. 31, 2009	9.75	78 472	8 049	1.19 ⁴	1.19	297.91	1.08
Series F							
June 30, 2014	15.06	823	55	0.96	0.96	164.69	0.55
Dec. 31, 2013	13.52	733	54	0.95	0.95	187.07	0.53
Dec. 31, 2012	11.84	552	47	0.95	0.95	164.47	0.50
Dec. 31, 2011	10.80	939	87	0.96	0.96	267.31	0.84
Dec. 31, 2010	11.36	567	50	0.93	0.93	283.62	1.01
Dec. 31, 2009	9.82	262	27	0.96 ⁴	1.13	297.91	1.08
Series O							
June 30, 2014	14.99	692 405	46 187	0.06	0.06	164.69	0.55
Dec. 31, 2013	13.42	98 535	7 340	0.07	0.07	187.07	0.53
Dec. 31, 2012	11.73	64 268	5 480	0.07	0.07	164.47	0.50
Dec. 31, 2011	10.66	29 938	2 808	0.07	0.07	267.31	0.84
Dec. 31, 2010	11.23	19 969	1 779	0.07	0.07	283.62	1.01
Dec. 31, 2009	9.68	17 662	1 824	0.07 ⁴	0.07	297.91	1.08

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.94%, Series D – 1.16%, Series F – 0.89%, Series O – 0.07%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

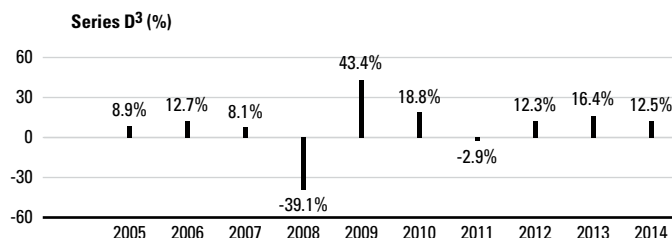
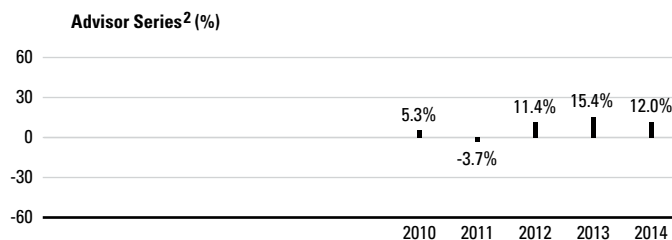
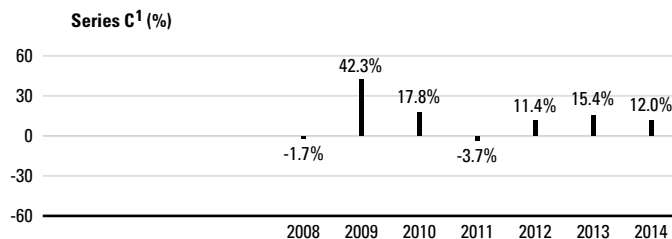
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

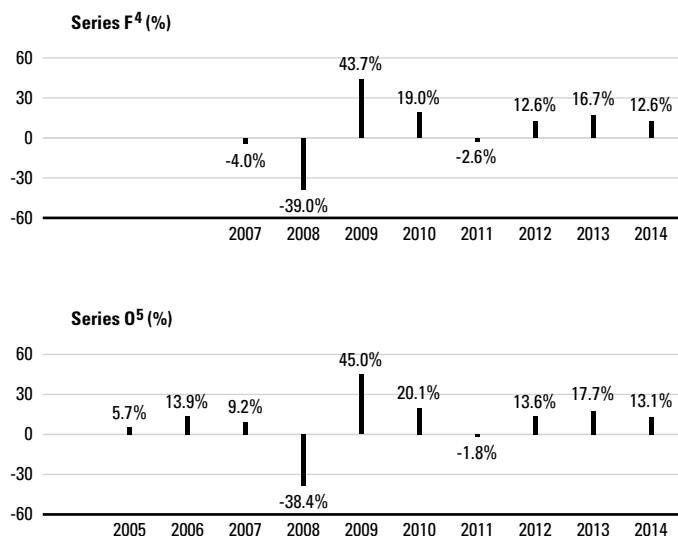
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date June 2005.

⁴ Inception date June 2007.

⁵ Inception date September 2005.

Series D was known as Series A prior to November 17, 2008. Although Series A units of the Fund were created in July 2003, units were not offered for sale under a Simplified Prospectus until June 2005. We are therefore not permitted to disclose performance data for this Fund for any period prior to June 2005.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	41.0
Energy	23.1
Consumer Discretionary	7.1
Consumer Staples	6.5
Materials	5.3
Utilities	5.2
Industrials	4.8
Telecommunication Services	2.0
Information Technology	2.0
Cash/Other	3.0

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.5
Toronto-Dominion Bank	6.3
Bank of Nova Scotia	5.1
Enbridge Inc.	3.9
Bank of Montreal	3.2
Manulife Financial Corporation	3.2
Power Corporation of Canada	3.2
Cash & Cash Equivalents	2.8
ARC Resources Ltd.	2.8
Industrial Alliance Insurance & Financial Services Inc.	2.7
Empire Co. Ltd., Class A	2.4
Alimentation Couche-Tard Inc.	2.2
TransCanada Corp.	2.0
Loblaw Companies Ltd.	1.9
Cineplex Inc.	1.8
Suncor Energy Inc.	1.7
Pure Industrial Real Estate Investment Trust	1.7
Gildan Activewear Inc., Class A	1.7
Talisman Energy Inc.	1.7
National Bank of Canada	1.6
Sun Life Financial Inc.	1.6
PrairieSky Royalty Ltd.	1.5
Crescent Point Energy Corp.	1.4
Trilogy Energy Corp.	1.4
Crombie Real Estate Investment Trust	1.4
Top 25 Holdings	66.7

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
VINTAGE FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

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The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. To achieve the Fund's investment objective, we focus on companies that earned a return on shareholders equity that is above average within their industry over the previous five to 10 years and maintained financial strength. The Fund's investments may also emphasize small-capitalization securities when valuation levels are attractive.

Results of Operations

The Fund's net asset value was \$49.8 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 13.1%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. In the Fund, the portfolio manager added value in seven out of 10 sectors, with Financials, Industrials and Telecommunication Services being the most significant contributors.

The Financials sector was one of the most significant contributors to performance during the reporting period, driven by an overweight position and strong stock selection. Positions in Canaccord Genuity Group (+69%) and Home Capital Group (+19%) contributed to performance. In terms of stock selection within the Fund, Linamar (+43%) performed well due to strong earnings results driven by the global auto sector recovery, improving plant efficiencies and market share gains.

During the reporting period, holdings within the Consumer Discretionary sector detracted from performance, due to an overweight position in RONA (-13%) and leisure products company Bombardier Recreational Products (-13%).

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions**Manager and Portfolio Advisor**

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$1,000 (2013 – \$4,000), or 5% (2013 – 17%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	24.50	0.28	(0.30)	1.76	1.27	3.01	—	—	—	—	—	27.59
Dec. 31, 2013	18.37	0.42	(0.49)	1.53	4.64	6.10	—	—	—	—	—	24.47
Dec. 31, 2012	17.11	0.40	(0.40)	0.01	1.20	1.21	—	—	—	—	—	18.37
Dec. 31, 2011	19.48	0.46	(0.42)	0.47	(2.73)	(2.22)	—	—	—	—	—	17.11
Dec. 31, 2010	17.76	0.35	(0.40)	1.75	(0.13)	1.57	—	—	—	—	—	19.48
Dec. 31, 2009	11.98	0.52	(0.36)	(3.00)	8.24	5.40	—	(0.07)	—	—	(0.07)	17.76
Advisor Series												
June 30, 2014	24.53	0.28	(0.30)	1.77	1.28	3.03	—	—	—	—	—	27.62
Dec. 31, 2013	18.37	0.39	(0.51)	1.45	4.38	5.71	—	—	—	—	—	24.50
Dec. 31, 2012	17.11	0.40	(0.40)	0.01	1.20	1.21	—	—	—	—	—	18.37
Dec. 31, 2011	19.48	0.46	(0.42)	0.47	(2.73)	(2.22)	—	—	—	—	—	17.11
Dec. 31, 2010 ³	18.32 [†]	0.06	(0.07)	0.29	(0.02)	0.26	—	—	—	—	—	19.48
Series D												
June 30, 2014	25.26	0.29	(0.19)	1.85	1.33	3.28	—	—	—	—	—	28.56
Dec. 31, 2013	18.79	0.43	(0.32)	1.57	4.77	6.45	—	—	—	—	—	25.23
Dec. 31, 2012	17.36	0.41	(0.27)	0.01	1.23	1.38	—	—	—	—	—	18.79
Dec. 31, 2011	19.62	0.47	(0.27)	0.48	(2.76)	(2.08)	—	—	—	—	—	17.36
Dec. 31, 2010	17.73	0.35	(0.26)	1.75	(0.13)	1.71	—	—	—	—	—	19.62
Dec. 31, 2009	11.93	0.51	(0.22)	(7.79)	13.50	6.00	—	(0.21)	—	—	(0.21)	17.73
Series F												
June 30, 2014	26.25	0.29	(0.17)	1.85	1.34	3.31	—	—	—	—	—	29.72
Dec. 31, 2013	19.52	0.44	(0.27)	1.63	4.95	6.75	—	(0.06)	—	—	(0.06)	26.22
Dec. 31, 2012	17.98	0.43	(0.22)	0.01	1.28	1.50	—	—	—	—	—	19.52
Dec. 31, 2011	20.25	0.48	(0.23)	0.49	(2.81)	(2.07)	—	—	—	—	—	17.98
Dec. 31, 2010	18.24	0.37	(0.22)	1.81	(0.13)	1.83	—	—	—	—	—	20.25
Dec. 31, 2009	12.10	0.53	(0.20)	(2.63)	7.50	5.20	—	(0.25)	—	—	(0.25)	18.24
Series O												
June 30, 2014	27.42	0.32	(0.01)	2.01	1.45	3.77	—	—	—	—	—	31.22
Dec. 31, 2013	20.38	0.47	(0.02)	1.72	5.22	7.39	—	(0.35)	—	—	(0.35)	27.40
Dec. 31, 2012	18.57	0.44	(0.01)	0.01	1.30	1.74	—	—	—	—	—	20.38
Dec. 31, 2011	20.68	0.50	(0.01)	0.51	(2.93)	(1.93)	—	—	—	—	—	18.57
Dec. 31, 2010	18.43	0.37	(0.01)	1.84	(0.14)	2.06	—	—	—	—	—	20.68
Dec. 31, 2009	12.43	0.54	(0.02)	(7.40)	13.28	6.40	—	(0.47)	—	—	(0.47)	18.43

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	27.59	1 561	57	2.28	2.29	58.95	0.09
Dec. 31, 2013	24.50	529	22	2.30	2.30	60.77	0.13
Dec. 31, 2012	18.43	186	10	2.27	2.27	66.68	0.23
Dec. 31, 2011	17.14	415	24	2.27	2.27	138.78	0.45
Dec. 31, 2010	19.51	758	39	2.24	2.24	124.85	0.40
Dec. 31, 2009	17.82	681	38	2.27 ⁴	2.43	143.52	0.64
Advisor Series							
June 30, 2014	27.62	205	7	2.30	2.31	58.95	0.09
Dec. 31, 2013	24.53	40	2	2.30	2.30	60.77	0.13
Dec. 31, 2012	18.43	46	2	2.27	2.27	66.68	0.23
Dec. 31, 2011	17.14	35	2	2.27	2.27	138.78	0.45
Dec. 31, 2010 ⁵	19.51	–	–	2.24	2.24	124.85	0.40
Series D							
June 30, 2014	28.56	39 671	1 389	1.45	1.46	58.95	0.09
Dec. 31, 2013	25.26	34 678	1 373	1.47	1.47	60.77	0.13
Dec. 31, 2012	18.85	28 550	1 515	1.50	1.50	66.68	0.23
Dec. 31, 2011	17.40	31 231	1 795	1.51	1.51	138.78	0.45
Dec. 31, 2010	19.65	44 867	2 283	1.46	1.46	124.85	0.40
Dec. 31, 2009	17.78	49 810	2 801	1.50 ⁴	1.50	143.52	0.64
Series F							
June 30, 2014	29.72	1 821	61	1.19	1.20	58.95	0.09
Dec. 31, 2013	26.25	130	5	1.20	1.20	60.77	0.13
Dec. 31, 2012	19.58	100	5	1.18	1.18	66.68	0.23
Dec. 31, 2011	18.01	118	7	1.17	1.17	138.78	0.45
Dec. 31, 2010	20.28	240	12	1.17	1.17	124.85	0.40
Dec. 31, 2009	18.30	202	11	1.22 ⁴	1.64	143.52	0.64
Series O							
June 30, 2014	31.22	6 581	211	0.06	0.07	58.95	0.09
Dec. 31, 2013	27.42	4 677	171	0.07	0.07	60.77	0.13
Dec. 31, 2012	20.45	2 254	110	0.08	0.08	66.68	0.23
Dec. 31, 2011	18.61	5 012	269	0.08	0.08	138.78	0.45
Dec. 31, 2010	20.72	7 250	350	0.07	0.07	124.85	0.40
Dec. 31, 2009	18.49	6 465	350	0.12 ⁴	0.12	143.52	0.64

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 2.21%, Series D – 1.43%, Series F – 1.16%, Series O – 0.07%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	2.00%	50%	50%
Advisor Series	2.00%	50%	50%
Series D	1.25%	20%	80%
Series F	1.00%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

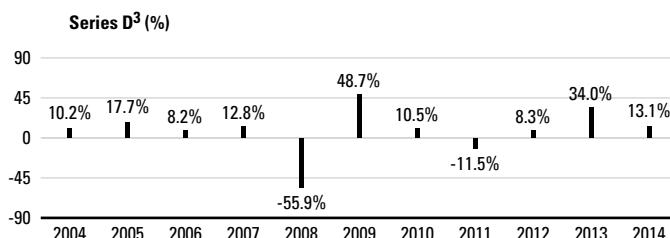
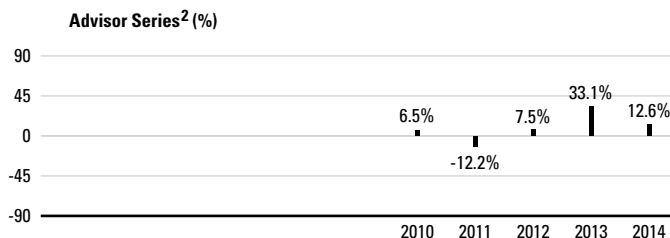
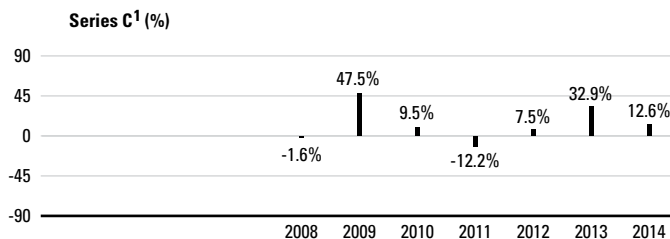
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

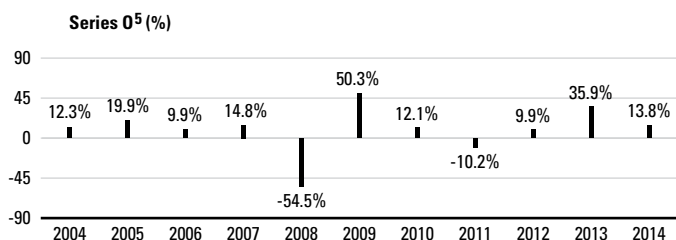
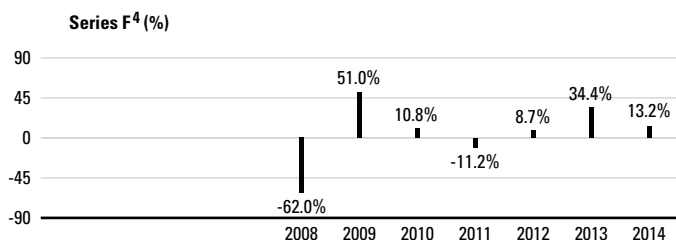
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date April 1986.

⁴ Inception date June 2008.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	30.4
Energy	22.4
Consumer Discretionary	9.9
Industrials	9.9
Materials	6.4
Information Technology	6.1
Consumer Staples	5.5
Health Care	3.8
Telecommunication Services	2.9
Utilities	0.5
Cash/Other	2.2

Top 25 Holdings

	% of Net Asset Value
Bank of Nova Scotia	6.1
Toronto-Dominion Bank	6.0
Royal Bank of Canada	5.1
Valeant Pharmaceuticals International Inc.	3.1
Canadian Natural Resources Ltd.	2.9
Suncor Energy Inc.	2.6
Cenovus Energy Inc.	2.5
ARC Resources Ltd.	2.3
Cash & Cash Equivalents	2.3
Enbridge Inc.	2.2
CGI Group Inc., Class A	2.2
Alimentation Couche-Tard Inc.	2.2
Industrial Alliance Insurance & Financial Services Inc.	1.9
Badger Daylighting Ltd.	1.9
RONA Inc.	1.9
Manulife Financial Corporation	1.9
TransCanada Corp.	1.8
Element Financial Corp.	1.7
SNC-Lavalin Group Inc.	1.7
Home Capital Group Inc.	1.6
Polaris Minerals Corp.	1.6
Rogers Communications Inc., Class B	1.6
Brookfield Asset Management Inc., Class A	1.5
Quebecor Inc., Class B	1.5
Boyd Group Income Fund	1.5
Top 25 Holdings	61.6

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
U.S. DIVIDEND INCOME FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. To achieve the Fund's investment objective, we invest primarily in large-capitalization dividend-paying U.S. common shares and, to a lesser extent, preferred shares and bonds.

Results of Operations

The Fund's net asset value was \$182.1 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 6.3%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

During the reporting period, U.S. equity markets produced solid returns, with most of the performance coming in the first quarter. The market rose to all-time highs, overcoming a weak economy in the first three months that was attributed to adverse weather and increasing tensions in the Middle East.

Within the U.S. market, as measured by the S&P 500 Index, the leading sectors were Utilities, Energy and Health Care. The lower interest rates that prevailed through the first half of the year were behind the strength in the Utilities group. Rising crude oil prices and stable natural gas prices combined with acceleration in domestic energy production propelled the Energy sector. The Health Care sector benefited from takeover activity among pharmaceutical and equipment companies. The lagging groups were Consumer Discretionary and Industrials, both impacted by weak U.S. economic performance in the first part of 2014.

During the reporting period, the largest contributors to Fund performance were from the portfolio manager's strong stock selection in Information Technology and Consumer Staples. The best relative stock contributions came from the Fund's holdings of AllianceBernstein, ConocoPhillips, Walgreen and Hewlett-Packard and not owning Amazon.com. Detractors from Fund performance came from an overweight position and weak stock selection in Industrials and an underweight position and weak stock selection in Energy. The worst relative stock contributions came from Oaktree Capital and Emerson.

Overall, the portfolio manager slightly decreased the number of holdings in the Fund during the first half of the year. The largest initiations in the Fund were Cal-Maine Foods, RPM Inc., General Motors, Public Service Enterprise Group and Exelon. The portfolio

manager also added significantly to existing holdings of Verizon and AbbVie. The largest eliminations were Walgreen, Nucor, TC Pipelines, Tronox and New York Community Bancorp. Significant reductions were made to Johnson Controls and United Technologies on account of valuation.

Recent Developments

The portfolio manager expects the U.S. equity markets to continue to advance in the second half of the year, but the gains will be harder to come by. The good news is that corporate earnings continue to advance, the domestic employment situation is improving and companies remain focused on returning capital to shareholders through share repurchase and dividend growth. One concern is that the number of companies going public through initial public offerings has accelerated in 2014, confirming our view that the market is at least fairly valued.

The companies in the Fund's portfolio have an opportunity to respond to business conditions through a combination of capital expenditures, share repurchase and dividend increases. The portfolio manager's focus is on companies that are able to generate superior dividend growth without compromising their ability to grow on a sustainable basis and trade at valuations that compare favourably to the market.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$0 (2013 – \$19,000), or 0% (2013 – 45%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors (“BoG”) in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.26	0.14	(0.11)	0.57	–	0.60	–	–	–	–	–	10.86
Dec. 31, 2013	7.54	0.23	(0.19)	0.44	2.20	2.68	–	(0.03)	–	–	(0.03)	10.26
Dec. 31, 2012	6.93	0.21	(0.15)	0.05	0.51	0.62	–	(0.04)	–	–	(0.04)	7.54
Dec. 31, 2011	6.87	0.19	(0.13)	(0.30)	0.36	0.12	–	(0.05)	–	–	(0.05)	6.93
Dec. 31, 2010	6.60	0.17	(0.13)	(0.13)	0.37	0.28	–	(0.03)	–	–	(0.03)	6.87
Dec. 31, 2009	6.50	0.19	(0.13)	(0.66)	1.67	1.07	(0.09)	–	–	–	(0.09)	6.60
Advisor Series												
June 30, 2014	10.26	0.14	(0.11)	0.57	–	0.60	–	–	–	–	–	10.86
Dec. 31, 2013	7.54	0.22	(0.19)	0.43	2.17	2.63	–	(0.03)	–	–	(0.03)	10.26
Dec. 31, 2012	6.93	0.21	(0.15)	0.05	0.51	0.62	–	(0.04)	–	–	(0.04)	7.54
Dec. 31, 2011	6.87	0.19	(0.13)	(0.30)	0.36	0.12	–	(0.05)	–	–	(0.05)	6.93
Dec. 31, 2010 ³	6.64 [†]	0.03	(0.02)	(0.02)	0.06	0.05	–	(0.03)	–	–	(0.03)	6.87
Series D												
June 30, 2014	10.20	0.14	(0.06)	0.56	–	0.64	–	–	–	–	–	10.84
Dec. 31, 2013	7.49	0.23	(0.11)	0.44	2.22	2.78	–	(0.12)	–	–	(0.12)	10.20
Dec. 31, 2012	6.89	0.21	(0.09)	0.05	0.52	0.69	–	(0.10)	–	–	(0.10)	7.49
Dec. 31, 2011	6.83	0.19	(0.08)	(0.30)	0.36	0.17	–	(0.10)	–	–	(0.10)	6.89
Dec. 31, 2010	6.57	0.17	(0.08)	(0.13)	0.37	0.33	–	(0.09)	–	–	(0.09)	6.83
Dec. 31, 2009	6.46	0.19	(0.07)	(1.17)	1.13	0.08	(0.15)	–	–	–	(0.15)	6.57
Series F												
June 30, 2014	10.17	0.14	(0.05)	0.56	–	0.65	–	–	–	–	–	10.82
Dec. 31, 2013	7.47	0.23	(0.09)	0.44	2.20	2.78	–	(0.14)	–	–	(0.14)	10.17
Dec. 31, 2012	6.87	0.21	(0.07)	0.05	0.51	0.70	–	(0.12)	–	–	(0.12)	7.47
Dec. 31, 2011	6.81	0.19	(0.06)	(0.30)	0.36	0.19	–	(0.12)	–	–	(0.12)	6.87
Dec. 31, 2010	6.55	0.17	(0.06)	(0.13)	0.37	0.35	–	(0.11)	–	–	(0.11)	6.81
Dec. 31, 2009	6.45	0.18	(0.06)	(0.87)	1.68	0.93	(0.16)	–	–	–	(0.16)	6.55
Series O												
June 30, 2014	10.21	0.14	–	0.56	–	0.70	–	–	–	–	–	10.91
Dec. 31, 2013	7.49	0.23	(0.01)	0.44	2.22	2.88	–	(0.23)	–	–	(0.23)	10.20
Dec. 31, 2012	6.89	0.21	(0.01)	0.05	0.52	0.77	–	(0.19)	–	–	(0.19)	7.49
Dec. 31, 2011	6.83	0.19	(0.01)	(0.31)	0.36	0.23	–	(0.18)	–	–	(0.18)	6.89
Dec. 31, 2010	6.58	0.18	(0.01)	(0.13)	0.37	0.41	–	(0.17)	–	–	(0.17)	6.83
Dec. 31, 2009	6.47	0.19	(0.01)	(1.12)	1.13	0.19	(0.22)	–	–	–	(0.22)	6.58

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.86	10 226	941	2.05	2.05	37.31	0.07
Dec. 31, 2013	10.26	9 137	890	2.07	2.07	27.71	0.06
Dec. 31, 2012	7.54	3 366	447	2.00	2.00	17.96	0.05
Dec. 31, 2011	6.93	1 280	185	2.06	2.06	16.34	0.04
Dec. 31, 2010	6.87	499	73	2.00	2.00	31.21	0.07
Dec. 31, 2009	6.61	365	55	2.03 ⁴	2.26	23.70	0.13
Advisor Series							
June 30, 2014	10.86	9 773	900	2.05	2.05	37.31	0.07
Dec. 31, 2013	10.26	7 286	710	2.07	2.07	27.71	0.06
Dec. 31, 2012	7.54	1 781	236	2.00	2.00	17.96	0.05
Dec. 31, 2011	6.93	161	23	2.06	2.06	16.34	0.04
Dec. 31, 2010 ⁵	6.87	—	—	2.00	2.00	31.21	0.07
Series D							
June 30, 2014	10.84	64 161	5 919	1.19	1.19	37.31	0.07
Dec. 31, 2013	10.20	59 344	5 818	1.19	1.19	27.71	0.06
Dec. 31, 2012	7.49	48 677	6 496	1.22	1.22	17.96	0.05
Dec. 31, 2011	6.89	40 757	5 915	1.22	1.22	16.34	0.04
Dec. 31, 2010	6.83	41 119	6 021	1.19	1.19	31.21	0.07
Dec. 31, 2009	6.57	43 409	6 603	1.22 ⁴	1.22	23.70	0.13
Series F							
June 30, 2014	10.82	3 656	338	0.94	0.94	37.31	0.07
Dec. 31, 2013	10.17	3 336	328	0.94	0.94	27.71	0.06
Dec. 31, 2012	7.47	1 479	198	0.96	0.96	17.96	0.05
Dec. 31, 2011	6.87	613	89	0.96	0.96	16.34	0.04
Dec. 31, 2010	6.81	397	58	0.94	0.94	31.21	0.07
Dec. 31, 2009	6.55	122	19	0.99 ⁴	1.46	23.70	0.13
Series O							
June 30, 2014	10.91	94 266	8 643	0.08	0.08	37.31	0.07
Dec. 31, 2013	10.21	88 273	8 649	0.08	0.08	27.71	0.06
Dec. 31, 2012	7.50	46 065	6 145	0.08	0.08	17.96	0.05
Dec. 31, 2011	6.89	37 502	5 440	0.08	0.08	16.34	0.04
Dec. 31, 2010	6.83	34 382	5 032	0.08	0.08	31.21	0.07
Dec. 31, 2009	6.58	32 751	4 976	0.08 ⁴	0.08	23.70	0.13

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.94%, Series D – 1.16%, Series F – 0.89%, Series O – 0.08%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

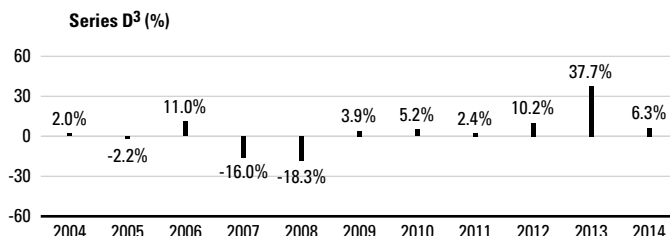
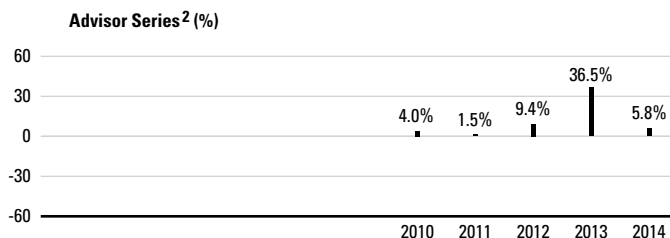
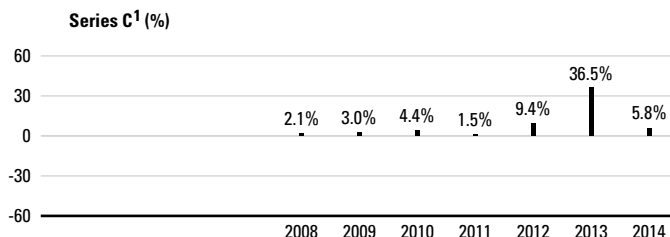
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

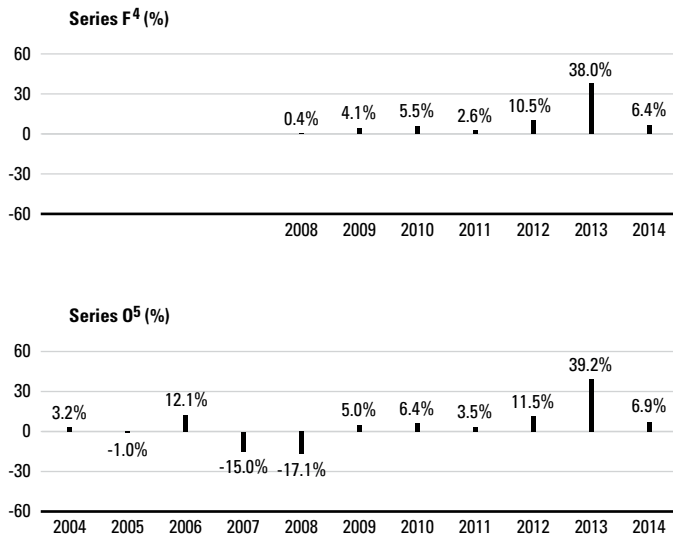
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date July 2002.

⁴ Inception date October 2008.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008. Although Series A units of the Fund were created in May 2002, units were not offered for sale under a Simplified Prospectus until July 2002. We are therefore not permitted to disclose performance data for this Fund for any period prior to July 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	18.0
Industrials	15.1
Health Care	13.3
Consumer Staples	11.6
Energy	10.2
Information Technology	10.0
Materials	7.1
Telecommunication Services	5.1
Consumer Discretionary	4.5
Utilities	4.1
Cash/Other	1.0

Top 25 Holdings

	% of Net Asset Value
ConocoPhillips	3.7
Johnson & Johnson	3.5
Chevron Corp.	3.4
General Electric Company	3.3
Microsoft Corp.	3.2
Exxon Mobil Corp.	3.1
Blackstone Group LP	2.9
Cal-Maine Foods Inc.	2.8
Emerson Electric Co.	2.7
AT&T Inc.	2.7
Merck & Co. Inc.	2.6
RPM Inc.	2.6
General Motors Co.	2.6
Verizon Communications Inc.	2.5
Wells Fargo & Company	2.5
AbbVie Inc.	2.5
PepsiCo Inc.	2.4
AllianceBernstein Holding LP	2.3
Wal-Mart Stores, Inc.	2.3
Norfolk Southern Corp.	2.3
JPMorgan Chase & Co.	2.3
Oaktree Capital Group LLC, Class A	2.2
Raytheon Company	2.2
Archer Daniels Midland Co.	2.1
Medtronic Inc.	2.1
Top 25 Holdings	66.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
U.S. MULTI-STYLE ALL-CAP
EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*Sub-Advisor: *RBC Global Asset Management (U.S.) Inc. ("RBC GAM US")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND**MANAGEMENT DISCUSSION OF FUND PERFORMANCE****Investment Objective and Strategies**

The Fund seeks to provide investors with long-term capital growth by investing in shares of high-quality U.S. companies. To achieve the Fund's investment objective, we invest in quality businesses that have a sustainable competitive advantage, a history of profitability, a solid financial position, opportunities for growth, and a capable management team. Emphasis is placed on a stock's valuation, with effort to select those with relatively low valuations, given the breadth of the U.S. market.

Results of Operations

The Fund's net asset value was \$1.7 billion as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 6.3%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

The Large Cap Growth component underperformed the benchmark, the Russell Top 200 Growth Index, due to security selection. Lagging performance in the Energy, Financials and Health Care sectors was a major detractor from returns. An overweight position in the Energy sector and positive security selection in the Information Technology sector aided returns.

The Large Cap Value strategy outperformed its benchmark, the Russell Top 200 Value Index, as security selection contributed to returns. Positive security selection in the Energy, Information Technology and Industrials sectors was partially offset by poor security selection in the Materials and Health Care sectors.

The Mid Cap Growth component underperformed the benchmark, the Russell Midcap Growth Index, as security selection weighed on returns. The strategy benefitted from an underweight allocation in the Consumer Discretionary sector and an overweight position in the Health Care sector, but this was offset by security selection in Consumer Discretionary, Information Technology and Consumer Staples.

The Mid Cap Value strategy outperformed its benchmark, the Russell Midcap Value Index. The outperformance was attributable to security selection as asset allocation detracted from returns. Favourable security selection in the Health Care, Information Technology and Industrials sectors were the biggest contributors to returns, which more than offset adverse stock selection in the Energy and Financials sectors.

The Small Cap Core strategy underperformed its benchmark, the Russell 2000 Index, due to sector allocation. Positive security selection in the Information Technology and Consumer Discretionary sectors was more than offset by adverse security selection in Energy and Health Care and an overweight position in the Consumer Discretionary sector.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC GAM US is a sub-advisor of the Fund.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$61,000 (2013 – \$39,000), or 4% (2013 – 4%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
 ALL-CAP EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	14.16	0.11	(0.15)	1.47	(0.61)	0.82	—	—	—	—	—	14.98
Dec. 31, 2013	11.35	0.21	(0.28)	1.99	2.38	4.30	—	—	(1.44)	—	(1.44)	14.16
Dec. 31, 2012	11.15	0.22	(0.24)	0.86	0.16	1.00	—	—	(0.83)	—	(0.83)	11.35
Dec. 31, 2011	11.28	0.16	(0.21)	(0.07)	0.01	(0.11)	—	—	—	—	—	11.15
Dec. 31, 2010 ³	10.00 [†]	0.07	(0.10)	0.03	1.11	1.11	—	—	—	—	—	11.28
Advisor Series												
June 30, 2014	14.16	0.11	(0.15)	1.47	(0.61)	0.82	—	—	—	—	—	14.99
Dec. 31, 2013	11.35	0.21	(0.28)	1.99	2.38	4.30	—	—	(1.44)	—	(1.44)	14.16
Dec. 31, 2012	11.15	0.22	(0.24)	0.86	0.16	1.00	—	—	(0.83)	—	(0.83)	11.35
Dec. 31, 2011	11.28	0.16	(0.21)	(0.07)	0.01	(0.11)	—	—	—	—	—	11.15
Dec. 31, 2010 ⁴	10.64 [†]	0.01	(0.02)	0.19	0.20	0.38	—	—	—	—	—	11.28
Series D												
June 30, 2014	14.49	0.11	(0.09)	1.50	(0.63)	0.89	—	—	—	—	—	15.40
Dec. 31, 2013	11.55	0.21	(0.16)	2.04	2.44	4.53	—	(0.04)	(1.47)	—	(1.51)	14.49
Dec. 31, 2012	11.27	0.23	(0.15)	0.88	0.16	1.12	—	(0.06)	(0.80)	—	(0.86)	11.55
Dec. 31, 2011	11.33	0.16	(0.13)	(0.07)	0.01	(0.03)	—	(0.02)	—	—	(0.02)	11.27
Dec. 31, 2010 ³	10.00 [†]	0.07	(0.06)	0.19	1.11	1.31	—	—	—	—	—	11.33
Series F												
June 30, 2014	14.47	0.11	(0.07)	1.51	(0.63)	0.92	—	—	—	—	—	15.39
Dec. 31, 2013	11.55	0.21	(0.13)	2.04	2.44	4.56	—	(0.08)	(1.50)	—	(1.58)	14.46
Dec. 31, 2012	11.27	0.22	(0.11)	0.87	0.16	1.14	—	(0.09)	(0.80)	—	(0.89)	11.55
Dec. 31, 2011	11.33	0.16	(0.10)	(0.07)	0.01	—	—	(0.05)	—	—	(0.05)	11.27
Dec. 31, 2010 ³	10.00 [†]	0.07	(0.05)	0.19	1.11	1.32	—	—	—	—	—	11.33
Series O												
June 30, 2014	14.22	0.11	—	1.48	(0.62)	0.97	—	—	—	—	—	15.20
Dec. 31, 2013	11.34	0.21	(0.01)	2.01	2.41	4.62	—	(0.21)	(1.45)	—	(1.66)	14.22
Dec. 31, 2012	11.07	0.22	(0.01)	0.86	0.16	1.23	—	(0.20)	(0.79)	—	(0.99)	11.34
Dec. 31, 2011	11.13	0.16	(0.01)	(0.07)	0.01	0.09	—	(0.15)	—	—	(0.15)	11.07
Dec. 31, 2010 ³	10.00 [†]	0.07	—	0.19	1.11	1.37	—	(0.05)	(0.21)	—	(0.26)	11.13

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2010.

⁴ From October 2010.

[†] Initial offering net asset value per unit.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	14.98	1 955	130	2.02	2.02	151.63	0.19
Dec. 31, 2013	14.16	1 878	133	2.06	2.06	131.57	0.18
Dec. 31, 2012	11.36	638	56	2.00	2.00	152.97	0.25
Dec. 31, 2011	11.16	448	40	1.95	1.95	218.83	0.41
Dec. 31, 2010 ⁴	11.29	156	14	1.94	1.94	125.85	0.31
Advisor Series							
June 30, 2014	14.99	796	53	2.02	2.02	151.63	0.19
Dec. 31, 2013	14.16	782	55	2.06	2.06	131.57	0.18
Dec. 31, 2012	11.36	464	41	2.00	2.00	152.97	0.25
Dec. 31, 2011	11.16	20	2	1.95	1.95	218.83	0.41
Dec. 31, 2010 ⁵	11.29	–	–	1.94	1.94	125.85	0.31
Series D							
June 30, 2014	15.40	17 461	1 134	1.17	1.17	151.63	0.19
Dec. 31, 2013	14.49	14 892	1 027	1.18	1.18	131.57	0.18
Dec. 31, 2012	11.56	7 812	676	1.23	1.23	152.97	0.25
Dec. 31, 2011	11.28	4 131	366	1.20	1.20	218.83	0.41
Dec. 31, 2010 ⁴	11.34	1 371	121	1.16	1.16	125.85	0.31
Series F							
June 30, 2014	15.39	661	43	0.96	0.96	151.63	0.19
Dec. 31, 2013	14.47	940	65	0.93	0.93	131.57	0.18
Dec. 31, 2012	11.56	121	10	0.93	0.93	152.97	0.25
Dec. 31, 2011	11.28	51	5	0.89	0.89	218.83	0.41
Dec. 31, 2010 ⁴	11.34	5	–	0.89	0.89	125.85	0.31
Series O							
June 30, 2014	15.20	1 712 996	112 727	0.06	0.06	151.63	0.19
Dec. 31, 2013	14.22	1 481 832	104 192	0.06	0.06	131.57	0.18
Dec. 31, 2012	11.35	1 053 848	92 832	0.06	0.06	152.97	0.25
Dec. 31, 2011	11.08	871 508	78 660	0.06	0.06	218.83	0.41
Dec. 31, 2010 ⁴	11.14	762 182	68 429	0.05	0.05	125.85	0.31

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2010.

⁵ From October 2010.

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

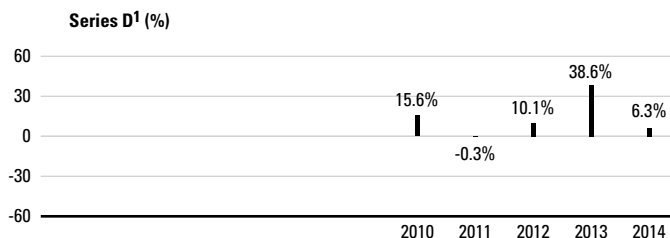
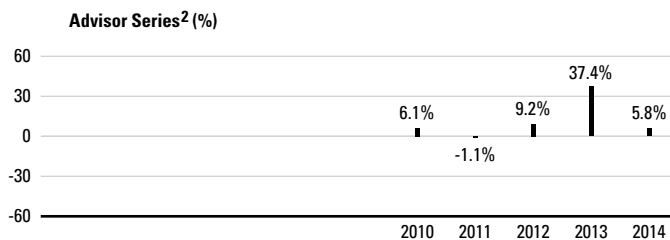
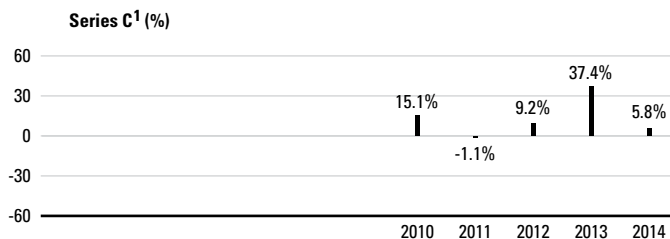
* Includes all costs related to management, investment advisory services, general administration and profit.

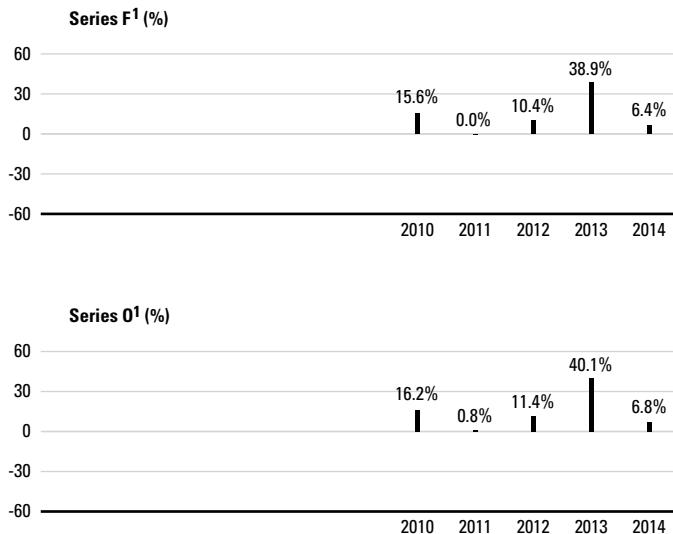
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
PAST PERFORMANCE (cont.)


¹ Inception date June 2010.

² Inception date October 2010.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Information Technology	18.9
Financials	16.3
Industrials	14.2
Health Care	11.9
Consumer Discretionary	11.2
Energy	10.0
Consumer Staples	6.7
Materials	4.8
Utilities	2.8
Telecommunication Services	1.1
Other	0.2
Cash/Other	1.9

Top 25 Holdings

	% of Net Asset Value
Apple Inc.	2.5
Cash & Cash Equivalents	1.9
Microsoft Corp.	1.9
Johnson & Johnson	1.8
Wells Fargo & Company	1.5
ConocoPhillips	1.1
Pfizer Inc.	1.1
JPMorgan Chase & Co.	1.1
Anadarko Petroleum Corp.	1.0
Google Inc., Class A	1.0
Pioneer Natural Resources Co.	0.9
Exxon Mobil Corp.	0.9
CVS Corp.	0.9
Ford Motor Company	0.8
Cigna Corp.	0.8
Skyworks Solutions Inc.	0.8
Hartford Financial Services Inc.	0.8
Danaher Corp.	0.7
Medtronic Inc.	0.7
Simon Property Group Inc.	0.7
The Walt Disney Company	0.7
Facebook Inc., Class A	0.7
NXP Semiconductor N.V.	0.7
Hewlett-Packard Co.	0.7
PepsiCo Inc.	0.7
Top 25 Holdings	26.4

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
U.S. EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in shares of large-capitalization, high-quality U.S. companies. To achieve the Fund's investment objective, we invest in quality businesses that have a sustainable competitive advantage, a history of profitability, a solid financial position, opportunities for growth, and a capable management team. We place particular emphasis on a company's long-term return on equity, as this measure is a key indicator of a company's ability to consistently generate profits for shareholders. Additional emphasis is placed on a stock's valuation, given the breadth of the U.S. market.

Results of Operations

The Fund's net asset value was \$866.2 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 7.5%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

During the reporting period, U.S. equity markets produced solid returns, with most of the performance coming in the first quarter. The market rose to all-time highs, overcoming a weak economy in the first three months that was attributed to adverse weather and increasing tensions in the Middle East.

Within the U.S. market, as measured by the S&P 500 Index, the leading sectors were Utilities, Energy and Health Care. The lower interest rates that prevailed through the first half of the year were behind the strength in the Utilities group. Rising crude oil prices and stable natural gas prices combined with acceleration in domestic energy production propelled the Energy sector. The Health Care sector benefited from takeover activity among pharmaceutical and equipment companies. The lagging groups were Consumer Discretionary and Industrials, both impacted by weak U.S. economic performance in the first part of 2014.

During the reporting period, the most significant contributors to Fund performance came from the portfolio manager's strong stock selection in Information Technology and Industrials. The best relative stock contributions were from the Fund's holdings of Delta Air Lines, Spirit Airlines, Walgreen, Apache and AllianceBernstein. Detractors from Fund performance came from a low exposure to the Utilities sector and weak stock selection and an overweight position in Financials. The worst relative stock contributions came from Bed Bath & Beyond and Oaktree Capital.

Overall, the portfolio manager increased the number of holdings in the Fund during the year. The largest initiations for the Fund were DIRECTV, Continental Resources, ConocoPhillips, Public Service Enterprise Group and Skyworks Solutions. The portfolio manager also added significantly to existing holdings of Rite Aid and Raytheon. The largest eliminations were Spirit Airlines, Waters, Valero Energy, Mosaic and FLIR Systems. Significant reductions were made to Berkshire Hathaway and DIRECTV. The reduction in DIRECTV was related to valuation after AT&T launched a takeover bid for the company.

Recent Developments

The portfolio manager expects the U.S. equity markets to continue to advance in the second half of the year, but the gains will be harder to come by. The good news is that corporate earnings continue to advance, the domestic employment situation is improving and companies remain focused on returning capital to shareholders through share repurchase and dividend growth. One concern is that the number of companies going public through initial public offerings has accelerated in 2014, confirming our view that the market is at least fairly valued.

The companies in the Fund have an opportunity to respond to business conditions through a combination of capital expenditures, share repurchase and dividend increases. The portfolio manager's focus is on companies that have the financial flexibility to deliver superior long-term growth, employ a sensible approach to capital management and trade at valuations that compare favourably to the market.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$6,000 (2013 – \$104,000), or 2% (2013 – 25%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	43.64	0.41	(0.47)	3.49	(0.28)	3.15	—	—	—	—	—	46.73
Dec. 31, 2013	31.76	0.62	(0.77)	5.49	6.60	11.94	—	—	—	—	—	43.63
Dec. 31, 2012	29.40	0.60	(0.62)	0.39	2.07	2.44	—	—	—	—	—	31.76
Dec. 31, 2011	29.22	0.49	(0.56)	(2.33)	2.50	0.10	—	—	—	—	—	29.40
Dec. 31, 2010	27.71	0.51	(0.54)	(1.36)	2.83	1.44	—	—	—	—	—	29.22
Dec. 31, 2009	26.77	0.53	(0.51)	(2.40)	6.32	3.94	(0.12)	—	—	—	(0.12)	27.71
Advisor Series												
June 30, 2014	43.64	0.41	(0.47)	3.49	(0.28)	3.15	—	—	—	—	—	46.73
Dec. 31, 2013	31.76	0.62	(0.78)	5.45	6.55	11.84	—	—	—	—	—	43.64
Dec. 31, 2012	29.40	0.60	(0.62)	0.39	2.07	2.44	—	—	—	—	—	31.76
Dec. 31, 2011	29.22	0.49	(0.56)	(2.33)	2.50	0.10	—	—	—	—	—	29.40
Dec. 31, 2010 ³	28.02 [†]	0.09	(0.09)	(0.23)	0.47	0.24	—	—	—	—	—	29.22
Series D												
June 30, 2014	43.42	0.41	(0.27)	3.48	(0.28)	3.34	—	—	—	—	—	46.70
Dec. 31, 2013	31.59	0.61	(0.44)	5.38	6.48	12.03	—	(0.36)	—	—	(0.36)	43.42
Dec. 31, 2012	29.20	0.59	(0.37)	0.38	2.05	2.65	—	(0.21)	—	—	(0.21)	31.59
Dec. 31, 2011	28.98	0.49	(0.33)	(2.32)	2.49	0.33	—	(0.21)	—	—	(0.21)	29.20
Dec. 31, 2010	27.44	0.51	(0.32)	(1.35)	2.80	1.64	—	(0.20)	—	—	(0.20)	28.98
Dec. 31, 2009	26.51	0.55	(0.30)	(2.70)	3.39	0.94	(0.32)	—	—	—	(0.32)	27.44
Series F												
June 30, 2014	43.62	0.41	(0.21)	3.50	(0.28)	3.42	—	—	—	—	—	46.97
Dec. 31, 2013	31.72	0.63	(0.36)	5.52	6.64	12.43	—	(0.44)	—	—	(0.44)	43.62
Dec. 31, 2012	29.32	0.59	(0.29)	0.38	2.06	2.74	—	(0.29)	—	—	(0.29)	31.72
Dec. 31, 2011	29.10	0.49	(0.26)	(2.33)	2.50	0.40	—	(0.29)	—	—	(0.29)	29.32
Dec. 31, 2010	27.56	0.51	(0.25)	(1.36)	2.81	1.71	—	(0.28)	—	—	(0.28)	29.10
Dec. 31, 2009	26.63	0.54	(0.24)	(2.58)	4.87	2.59	(0.39)	—	—	—	(0.39)	27.56
Series O												
June 30, 2014	44.10	0.42	(0.01)	3.54	(0.28)	3.67	—	—	—	—	—	47.70
Dec. 31, 2013	32.07	0.63	(0.01)	5.50	6.61	12.73	—	(0.86)	—	—	(0.86)	44.09
Dec. 31, 2012	29.65	0.60	(0.01)	0.39	2.09	3.07	—	(0.60)	—	—	(0.60)	32.07
Dec. 31, 2011	29.42	0.50	(0.01)	(2.37)	2.54	0.66	—	(0.57)	—	—	(0.57)	29.65
Dec. 31, 2010	27.88	0.52	(0.01)	(1.37)	2.85	1.99	—	(0.57)	—	—	(0.57)	29.42
Dec. 31, 2009	26.93	0.56	(0.01)	(2.76)	3.43	1.22	(0.63)	—	—	—	(0.63)	27.88

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	46.73	3 658	78	2.06	2.06	42.25	0.07
Dec. 31, 2013	43.64	3 501	80	2.06	2.06	40.87	0.09
Dec. 31, 2012	31.77	2 915	92	2.02	2.02	34.35	0.08
Dec. 31, 2011	29.42	2 298	78	2.07	2.07	49.36	0.08
Dec. 31, 2010	29.23	947	32	2.01	2.01	40.42	0.12
Dec. 31, 2009	27.72	648	23	1.99 ⁴	2.05	25.55	0.08
Advisor Series							
June 30, 2014	46.73	1 638	35	2.06	2.06	42.25	0.07
Dec. 31, 2013	43.64	1 504	34	2.06	2.06	40.87	0.09
Dec. 31, 2012	31.77	1 005	32	2.02	2.02	34.35	0.08
Dec. 31, 2011	29.42	710	24	2.07	2.07	49.36	0.08
Dec. 31, 2010 ⁵	29.23	—	—	2.01	2.01	40.42	0.12
Series D							
June 30, 2014	46.70	134 098	2 872	1.18	1.18	42.25	0.07
Dec. 31, 2013	43.42	130 937	3 015	1.19	1.19	40.87	0.09
Dec. 31, 2012	31.60	162 958	5 157	1.22	1.22	34.35	0.08
Dec. 31, 2011	29.22	186 942	6 398	1.22	1.22	49.36	0.08
Dec. 31, 2010	28.99	190 716	6 579	1.19	1.19	40.42	0.12
Dec. 31, 2009	27.46	203 907	7 426	1.18 ⁴	1.18	25.55	0.08
Series F							
June 30, 2014	46.97	1 941	41	0.94	0.94	42.25	0.07
Dec. 31, 2013	43.62	1 844	42	0.95	0.95	40.87	0.09
Dec. 31, 2012	31.73	1 412	44	0.95	0.95	34.35	0.08
Dec. 31, 2011	29.33	1 410	48	0.95	0.95	49.36	0.08
Dec. 31, 2010	29.10	1 321	45	0.92	0.92	40.42	0.12
Dec. 31, 2009	27.57	1 234	45	0.95 ⁴	0.95	25.55	0.08
Series O							
June 30, 2014	47.70	724 864	15 197	0.02	0.02	42.25	0.07
Dec. 31, 2013	44.10	697 065	15 806	0.02	0.02	40.87	0.09
Dec. 31, 2012	32.08	731 423	22 798	0.02	0.02	34.35	0.08
Dec. 31, 2011	29.66	766 923	25 857	0.02	0.02	49.36	0.08
Dec. 31, 2010	29.43	764 872	25 988	0.02	0.02	40.42	0.12
Dec. 31, 2009	27.90	883 436	31 669	0.02 ⁴	0.02	25.55	0.08

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.93%, Series D – 1.16%, Series F – 0.89%, Series O – 0.02%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

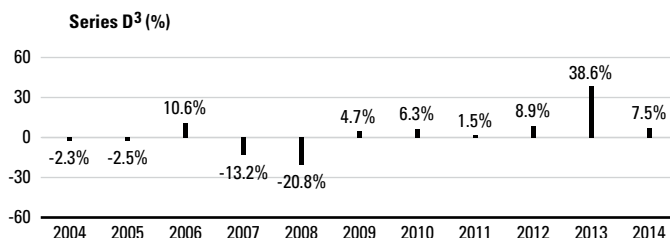
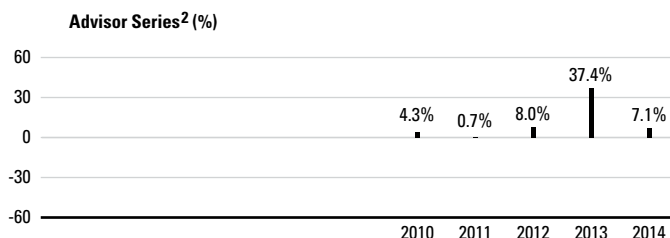
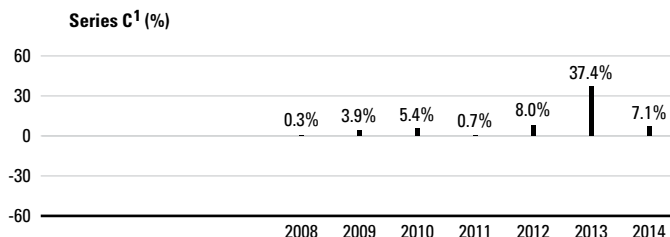
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

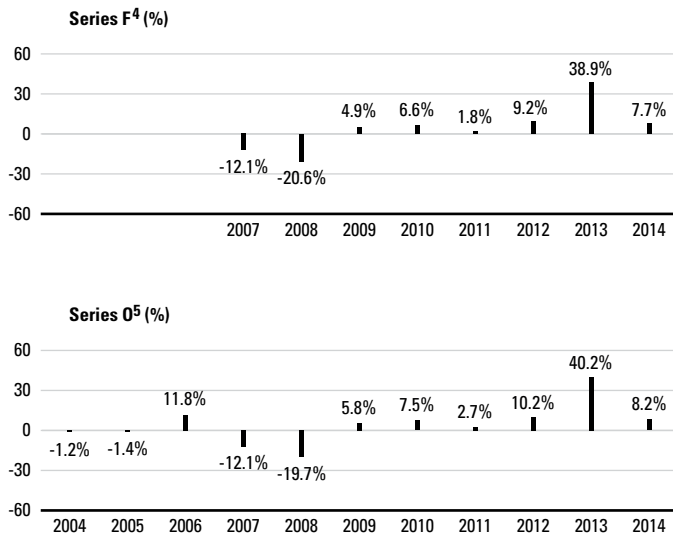
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date September 1964.

⁴ Inception date June 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	21.1
Information Technology	18.3
Health Care	13.8
Industrials	12.6
Energy	12.3
Consumer Staples	8.7
Consumer Discretionary	7.7
Utilities	1.4
Telecommunication Services	1.1
Materials	1.0
Cash/Other	2.0

Top 25 Holdings

	% of Net Asset Value
Apple Inc.	4.6
Johnson & Johnson	4.0
Wells Fargo & Company	3.9
Apache Corp.	3.5
Chevron Corp.	3.5
United Technologies Corp.	3.0
JPMorgan Chase & Co.	2.9
Emerson Electric Co.	2.8
Bank of America Corp.	2.5
Aflac Inc.	2.5
Oracle Corporation	2.4
Becton Dickinson & Co.	2.4
PepsiCo Inc.	2.4
Wal-Mart Stores, Inc.	2.4
WellPoint Inc.	2.3
Microsoft Corp.	2.1
Cash & Cash Equivalents	2.0
Raytheon Company	2.0
Delta Air Lines Inc.	2.0
Berkshire Hathaway Inc., Class B	1.9
Continental Resources Inc.	1.9
QUALCOMM Inc.	1.9
Oaktree Capital Group LLC, Class A	1.8
MetLife Inc.	1.8
Johnson Controls Inc.	1.7
Top 25 Holdings	64.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
CURRENCY-HEDGED U.S. EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. To achieve the Fund's investment objective, we invest primarily in units of the Phillips, Hager & North U.S. Equity Fund ("the Underlying Fund"), as well as derivative instruments that are used to hedge against fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

Results of Operations

The Fund's net asset value was \$77.5 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 7.3%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

Within the U.S. market, as measured by the S&P 500 Index, the best performing sectors were Utilities, Energy and Health Care. The lagging groups were Consumer Discretionary and Industrials, both impacted by weak U.S. economic performance in the first part of 2014.

Security selection in the Information Technology and Industrials sectors had the most significant impact on performance. Holdings in Delta Air Lines, Spirit Airlines, Walgreen, Apache and Alliance Bernstein were the top contributors to returns during the past six

months. Poor stock selection and an underweight in the Utilities sector, and an overweight position in the Financials sector, detracted from returns. Positions in Bed Bath & Beyond and Oaktree Capital weighed on performance.

The Fund's currency-hedging strategy had a negative effect on performance as the U.S. dollar appreciated against the Canadian dollar during the reporting period.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND*****Other Related-Party Transactions***

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
 U.S. EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	9.66	–	(0.10)	0.65	0.08	0.63	–	–	–	–	–	10.33
Dec. 31, 2013	7.47	0.11	(0.18)	1.35	1.02	2.30	–	–	–	–	–	9.66
Dec. 31, 2012	7.00	0.13	(0.15)	0.79	0.09	0.86	–	–	(0.30)	–	(0.30)	7.47
Dec. 31, 2011	7.12	0.12	(0.14)	0.17	(0.22)	(0.07)	–	–	(0.01)	–	(0.01)	7.00
Dec. 31, 2010	6.64	0.13	(0.13)	0.35	0.33	0.68	–	–	(0.17)	–	(0.17)	7.12
Dec. 31, 2009	5.99	0.34	(0.12)	0.90	0.98	2.10	(0.03)	–	(0.35)	–	(0.38)	6.64
Advisor Series												
June 30, 2014	9.66	–	(0.10)	0.65	0.08	0.63	–	–	–	–	–	10.33
Dec. 31, 2013	7.47	0.12	(0.18)	1.39	1.06	2.39	–	–	–	–	–	9.66
Dec. 31, 2012	7.00	0.13	(0.15)	0.79	0.09	0.86	–	–	(0.30)	–	(0.30)	7.47
Dec. 31, 2011	7.12	0.12	(0.14)	0.17	(0.22)	(0.07)	–	–	(0.01)	–	(0.01)	7.00
Dec. 31, 2010 ³	6.83 [†]	0.02	(0.02)	0.06	0.06	0.12	–	–	(0.17)	–	(0.17)	7.12
Series D												
June 30, 2014	9.60	–	(0.06)	0.65	0.08	0.67	–	–	–	–	–	10.30
Dec. 31, 2013	7.41	0.10	(0.10)	1.21	0.92	2.13	–	(0.06)	–	–	(0.06)	9.60
Dec. 31, 2012	6.92	0.12	(0.09)	0.76	0.08	0.87	–	(0.04)	(0.30)	–	(0.34)	7.41
Dec. 31, 2011	7.02	0.12	(0.08)	0.17	(0.21)	–	–	(0.04)	(0.01)	–	(0.05)	6.92
Dec. 31, 2010	6.55	0.13	(0.08)	0.34	0.33	0.72	–	(0.05)	(0.17)	–	(0.22)	7.02
Dec. 31, 2009	5.91	0.16	(0.07)	0.81	0.60	1.50	(0.08)	–	(0.35)	–	(0.43)	6.55
Series F												
June 30, 2014	9.68	–	(0.05)	0.65	0.08	0.68	–	–	–	–	–	10.40
Dec. 31, 2013	7.47	0.11	(0.08)	1.28	0.97	2.28	–	(0.09)	–	–	(0.09)	9.68
Dec. 31, 2012	6.97	0.13	(0.07)	0.78	0.09	0.93	–	(0.06)	(0.30)	–	(0.36)	7.47
Dec. 31, 2011	7.07	0.12	(0.06)	0.17	(0.22)	0.01	–	(0.06)	(0.01)	–	(0.07)	6.97
Dec. 31, 2010	6.61	0.13	(0.06)	0.34	0.33	0.74	–	(0.07)	(0.17)	–	(0.24)	7.07
Dec. 31, 2009	5.97	0.20	(0.06)	0.74	0.42	1.30	(0.10)	–	(0.36)	–	(0.46)	6.61
Series O												
June 30, 2014	9.70	–	(0.01)	0.65	0.08	0.72	–	–	–	–	–	10.46
Dec. 31, 2013	7.48	0.10	(0.01)	1.21	0.92	2.22	–	(0.17)	–	–	(0.17)	9.70
Dec. 31, 2012	6.99	0.13	(0.01)	0.78	0.09	0.99	–	(0.12)	(0.30)	–	(0.42)	7.48
Dec. 31, 2011	7.09	0.12	(0.01)	0.17	(0.22)	0.06	–	(0.12)	(0.01)	–	(0.13)	6.99
Dec. 31, 2010	6.61	0.13	(0.01)	0.35	0.33	0.80	–	(0.13)	(0.17)	–	(0.30)	7.09
Dec. 31, 2009	5.98	0.14	(0.01)	0.59	0.54	1.26	(0.16)	–	(0.36)	–	(0.52)	6.62

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.33	1 706	165	2.05	2.05	7.21	0.07
Dec. 31, 2013	9.66	1 759	182	2.07	2.07	51.30	0.09
Dec. 31, 2012	7.47	1 436	192	2.09	2.09	25.25	0.08
Dec. 31, 2011	7.00	813	116	2.10	2.10	24.49	0.08
Dec. 31, 2010	7.12	536	75	2.03	2.03	21.46	0.12
Dec. 31, 2009	6.64	279	42	1.97 ⁴	2.50	70.08	0.10
Advisor Series							
June 30, 2014	10.33	644	62	2.04	2.04	7.21	0.07
Dec. 31, 2013	9.66	668	69	2.07	2.07	51.30	0.09
Dec. 31, 2012	7.47	206	28	2.09	2.09	25.25	0.08
Dec. 31, 2011	7.00	146	21	2.10	2.10	24.49	0.08
Dec. 31, 2010 ⁵	7.12	—	—	2.03	2.03	21.46	0.12
Series D							
June 30, 2014	10.30	7 984	775	1.21	1.21	7.21	0.07
Dec. 31, 2013	9.60	10 308	1 074	1.22	1.22	51.30	0.09
Dec. 31, 2012	7.41	23 313	3 148	1.25	1.25	25.25	0.08
Dec. 31, 2011	6.92	42 322	6 118	1.25	1.25	24.49	0.08
Dec. 31, 2010	7.02	69 691	9 928	1.19	1.19	21.46	0.12
Dec. 31, 2009	6.55	70 521	10 760	1.22 ⁴	1.22	70.08	0.10
Series F							
June 30, 2014	10.40	813	78	0.96	0.96	7.21	0.07
Dec. 31, 2013	9.68	926	96	0.97	0.97	51.30	0.09
Dec. 31, 2012	7.47	1 229	165	0.98	0.98	25.25	0.08
Dec. 31, 2011	6.97	1 191	171	0.98	0.98	24.49	0.08
Dec. 31, 2010	7.07	1 323	187	0.93	0.93	21.46	0.12
Dec. 31, 2009	6.61	1 138	172	0.93 ⁴	1.03	70.08	0.10
Series O							
June 30, 2014	10.46	66 364	6 342	0.13	0.13	7.21	0.07
Dec. 31, 2013	9.70	78 801	8 124	0.13	0.13	51.30	0.09
Dec. 31, 2012	7.48	76 256	10 190	0.14	0.14	25.25	0.08
Dec. 31, 2011	6.99	82 513	11 812	0.14	0.14	24.49	0.08
Dec. 31, 2010	7.09	85 345	12 040	0.11	0.11	21.46	0.12
Dec. 31, 2009	6.62	81 782	12 345	0.11 ⁴	0.11	70.08	0.10

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.95%, Series D – 1.18%, Series F – 0.92%, Series O – 0.13%.

⁵ From October 2010.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

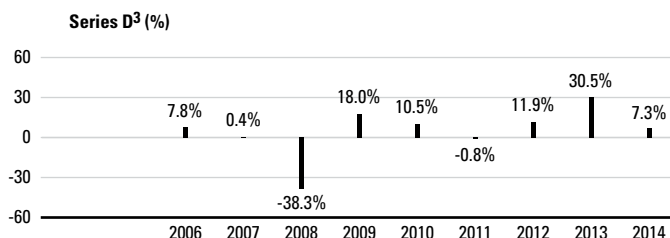
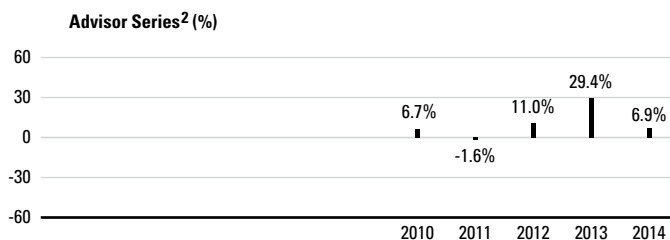
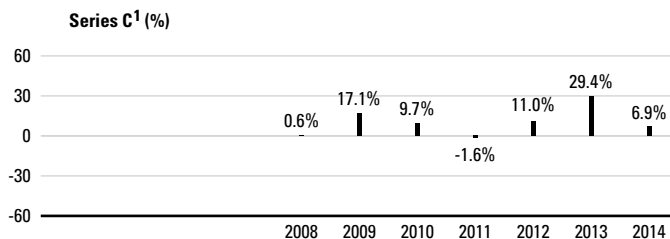
* Includes all costs related to management, investment advisory services, general administration and profit.

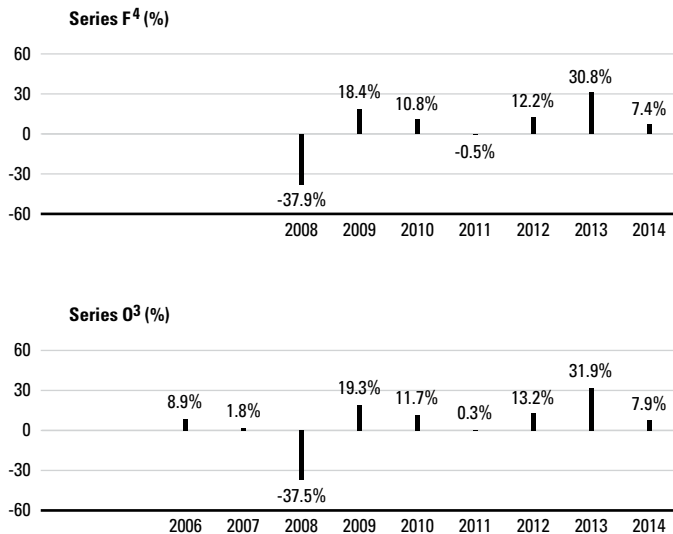
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
PAST PERFORMANCE (cont.)


¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date June 2006.

⁴ Inception date December 2007.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	20.5
Information Technology	17.8
Health Care	13.5
Industrials	12.3
Energy	11.9
Consumer Staples	8.5
Consumer Discretionary	7.5
Utilities	1.4
Telecommunication Services	1.1
Materials	0.9
Cash/Other	4.6

Top 25 Holdings*

	% of Net Asset Value
Apple Inc.	4.6
Johnson & Johnson	4.0
Wells Fargo & Company	3.9
Apache Corp.	3.5
Chevron Corp.	3.5
United Technologies Corp.	3.0
JPMorgan Chase & Co.	2.9
Emerson Electric Co.	2.8
Bank of America Corp.	2.5
Aflac Inc.	2.5
Oracle Corporation	2.4
Becton Dickinson & Co.	2.4
PepsiCo Inc.	2.4
Wal-Mart Stores, Inc.	2.4
WellPoint Inc.	2.3
Microsoft Corp.	2.1
Cash & Cash Equivalents	2.0
Raytheon Company	2.0
Delta Air Lines Inc.	2.0
Berkshire Hathaway Inc., Class B	1.9
Continental Resources Inc.	1.9
QUALCOMM Inc.	1.9
Oaktree Capital Group LLC, Class A	1.8
MetLife Inc.	1.8
Johnson Controls Inc.	1.7
Top 25 Holdings	64.2

* The Fund invests substantially all of its assets directly in the Phillips, Hager & North U.S. Equity Fund. The above are the Top 25 holdings of the Phillips, Hager & North U.S. Equity Fund.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
U.S. GROWTH FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. Where applicable, Canadian and Mexican securities that possess particularly attractive fundamentals will be added to the portfolio. However, the Fund's assets are primarily allocated to U.S. securities. To achieve the Fund's investment objective, we invest in businesses that we believe have a sustainable competitive advantage, promising growth opportunities, a history of profitability, a solid financial position, and a capable management team.

Results of Operations

The Fund's net asset value was \$115.1 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 6.7%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

During the reporting period, U.S. equity markets produced solid returns, with most of the performance coming in the first quarter. The market rose to all-time highs, overcoming a weak economy in the first three months that was attributed to adverse weather and increasing tensions in the Middle East.

Within the U.S. market, as measured by the S&P 500 Index, the leading sectors were Utilities, Energy and Health Care. The lower interest rates that prevailed through the first half of the year were behind the strength in the Utilities group. Rising crude oil prices and stable natural gas prices combined with acceleration in domestic energy production propelled the Energy sector. The Health Care sector benefited from takeover activity among pharmaceutical and equipment companies. The lagging groups were Consumer Discretionary and Industrials, both impacted by weak U.S. economic performance in the first part of 2014.

During the reporting period, the most significant contributors to Fund performance came from the portfolio manager's strong stock selection in Financials, as well an overweight position in Information Technology. The best relative stock contributions were from the Fund's holdings of Spirit Airlines, Continental Resources, DIRECTV, Skyworks Solutions and FLIR Systems. Detractors from Fund performance came from no exposure to the Utilities as well as an overweight position in Industrials. The worst relative stock contributions came from Geospace Technologies and Bed Bath & Beyond.

Overall, the portfolio manager increased the number of holdings in the Fund during the first half of the year. The largest initiations were Continental Resources, Gilead Sciences, DIRECTV, Celgene and United Insurance Holdings. The portfolio manager also added significantly to existing holdings of Schlumberger and Seagate Technology. The largest eliminations were Waters, DIRECTV, Nucor, FLIR Systems and ScanSource. The elimination of DIRECTV was related to valuation after AT&T launched a takeover bid for the company. Significant reductions were made to Spirit Airlines and Wal-Mart, on account of valuation.

Recent Developments

The portfolio manager expects the U.S. equity markets to continue to advance in the second half of the year, but the gains will be harder to come by. The good news is that corporate earnings continue to advance, the domestic employment situation is improving and companies remain focused on returning capital to shareholders through share repurchase and dividend growth. One concern is that the number of companies going public through initial public offerings has accelerated in 2014, confirming our view that the market is at least fairly valued.

The companies in the Fund's portfolio have an opportunity to respond to business conditions through a combination of capital expenditures, share repurchase and dividend increases. The portfolio manager's focus is on companies that have an above-average ability to grow both organically and through acquisition, and trade at valuations that compare favourably to the market.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$0 (2013 – \$9,000), or 0% (2013 – 38%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	16.08	0.10	(0.16)	1.46	(0.38)	1.02	—	—	—	—	—	17.08
Dec. 31, 2013	11.62	0.18	(0.27)	1.21	3.35	4.47	—	—	—	—	—	16.07
Dec. 31, 2012	10.81	0.19	(0.23)	(0.17)	1.03	0.82	—	—	—	—	—	11.62
Dec. 31, 2011	10.92	0.15	(0.21)	(0.51)	0.44	(0.13)	—	—	—	—	—	10.81
Dec. 31, 2010	10.24	0.17	(0.20)	(0.19)	0.90	0.68	—	—	—	—	—	10.92
Dec. 31, 2009	9.69	0.19	(0.20)	(0.60)	2.21	1.60	(0.07)	—	—	—	(0.07)	10.24
Advisor Series												
June 30, 2014	16.08	0.10	(0.16)	1.46	(0.38)	1.02	—	—	—	—	—	17.09
Dec. 31, 2013	11.62	0.17	(0.28)	1.17	3.26	4.32	—	—	—	—	—	16.08
Dec. 31, 2012	10.81	0.19	(0.23)	(0.17)	1.03	0.82	—	—	—	—	—	11.62
Dec. 31, 2011	10.92	0.15	(0.21)	(0.51)	0.44	(0.13)	—	—	—	—	—	10.81
Dec. 31, 2010 ³	10.56 [†]	0.03	(0.03)	(0.03)	0.15	0.12	—	—	—	—	—	10.92
Series D												
June 30, 2014	16.29	0.10	(0.10)	1.48	(0.39)	1.09	—	—	—	—	—	17.38
Dec. 31, 2013	11.70	0.18	(0.16)	1.21	3.36	4.59	—	(0.03)	—	—	(0.03)	16.29
Dec. 31, 2012	10.82	0.19	(0.14)	(0.17)	1.02	0.90	—	(0.03)	—	—	(0.03)	11.70
Dec. 31, 2011	10.90	0.16	(0.12)	(0.52)	0.44	(0.04)	—	(0.04)	—	—	(0.04)	10.82
Dec. 31, 2010	10.15	0.17	(0.12)	(0.19)	0.90	0.76	—	(0.02)	—	—	(0.02)	10.90
Dec. 31, 2009	9.60	0.26	(0.12)	(0.67)	1.15	0.62	(0.15)	—	—	—	(0.15)	10.15
Series F												
June 30, 2014	16.47	0.10	(0.08)	1.50	(0.39)	1.13	—	—	—	—	—	17.59
Dec. 31, 2013	11.83	0.18	(0.13)	1.23	3.42	4.70	—	(0.07)	—	—	(0.07)	16.47
Dec. 31, 2012	10.94	0.19	(0.11)	(0.17)	1.04	0.95	—	(0.06)	—	—	(0.06)	11.83
Dec. 31, 2011	11.01	0.16	(0.10)	(0.52)	0.45	(0.01)	—	(0.07)	—	—	(0.07)	10.94
Dec. 31, 2010	10.26	0.17	(0.09)	(0.19)	0.90	0.79	—	(0.05)	—	—	(0.05)	11.01
Dec. 31, 2009	9.71	0.25	(0.09)	(0.69)	1.71	1.18	(0.18)	—	—	—	(0.18)	10.26
Series O												
June 30, 2014	16.63	0.10	(0.01)	1.51	(0.40)	1.20	—	—	—	—	—	17.84
Dec. 31, 2013	11.95	0.18	(0.01)	1.26	3.48	4.91	—	(0.21)	—	—	(0.21)	16.63
Dec. 31, 2012	11.05	0.19	(0.01)	(0.17)	1.06	1.07	—	(0.16)	—	—	(0.16)	11.95
Dec. 31, 2011	11.12	0.16	(0.01)	(0.53)	0.45	0.07	—	(0.17)	—	—	(0.17)	11.05
Dec. 31, 2010	10.36	0.17	(0.01)	(0.19)	0.92	0.89	—	(0.15)	—	—	(0.15)	11.12
Dec. 31, 2009	9.80	0.27	(0.01)	(0.65)	1.06	0.67	(0.27)	—	—	—	(0.27)	10.36

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	17.08	2 167	127	1.97	1.97	35.12	0.06
Dec. 31, 2013	16.08	2 007	125	2.00	2.00	18.69	0.05
Dec. 31, 2012	11.62	1 460	126	2.03	2.03	28.53	0.07
Dec. 31, 2011	10.81	495	46	2.00	2.00	29.47	0.06
Dec. 31, 2010	10.93	332	30	1.98	1.98	38.82	0.09
Dec. 31, 2009	10.24	253	25	2.06 ⁴	2.25	19.23	0.07
Advisor Series							
June 30, 2014	17.09	298	17	1.97	1.97	35.12	0.06
Dec. 31, 2013	16.08	274	17	2.00	2.00	18.69	0.05
Dec. 31, 2012	11.62	185	16	2.03	2.03	28.53	0.07
Dec. 31, 2011	10.81	93	9	2.00	2.00	29.47	0.06
Dec. 31, 2010 ⁵	10.93	—	—	1.98	1.98	38.82	0.09
Series D							
June 30, 2014	17.38	35 897	2 065	1.18	1.18	35.12	0.06
Dec. 31, 2013	16.29	34 628	2 125	1.18	1.18	18.69	0.05
Dec. 31, 2012	11.71	45 053	3 848	1.22	1.22	28.53	0.07
Dec. 31, 2011	10.83	56 550	5 222	1.22	1.22	29.47	0.06
Dec. 31, 2010	10.90	49 817	4 571	1.19	1.19	38.82	0.09
Dec. 31, 2009	10.16	46 561	4 584	1.24 ⁴	1.24	19.23	0.07
Series F							
June 30, 2014	17.59	441	25	0.95	0.95	35.12	0.06
Dec. 31, 2013	16.47	430	26	0.94	0.94	18.69	0.05
Dec. 31, 2012	11.83	389	33	0.94	0.94	28.53	0.07
Dec. 31, 2011	10.94	366	33	0.96	0.96	29.47	0.06
Dec. 31, 2010	11.01	330	30	0.93	0.93	38.82	0.09
Dec. 31, 2009	10.26	303	30	1.02 ⁴	1.02	19.23	0.07
Series O							
June 30, 2014	17.84	76 304	4 277	0.08	0.08	35.12	0.06
Dec. 31, 2013	16.63	75 114	4 516	0.08	0.08	18.69	0.05
Dec. 31, 2012	11.95	51 567	4 314	0.08	0.08	28.53	0.07
Dec. 31, 2011	11.05	47 454	4 293	0.08	0.08	29.47	0.06
Dec. 31, 2010	11.12	39 796	3 578	0.08	0.08	38.82	0.09
Dec. 31, 2009	10.37	31 530	3 041	0.08 ⁴	0.08	19.23	0.07

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.94%, Series D – 1.16%, Series F – 0.90%, Series O – 0.08%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

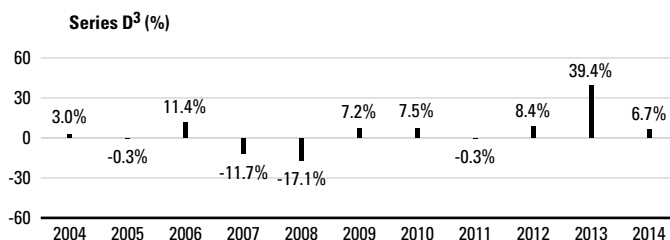
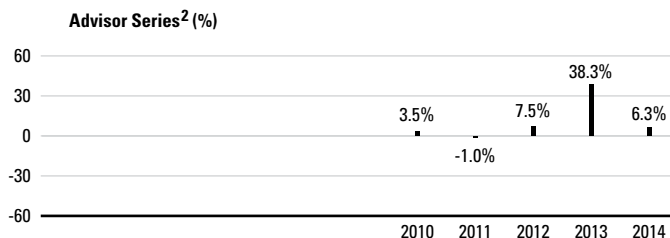
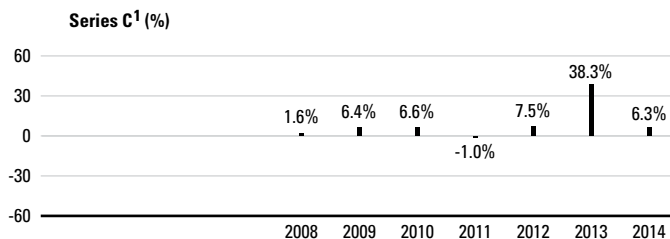
* Includes all costs related to management, investment advisory services, general administration and profit.

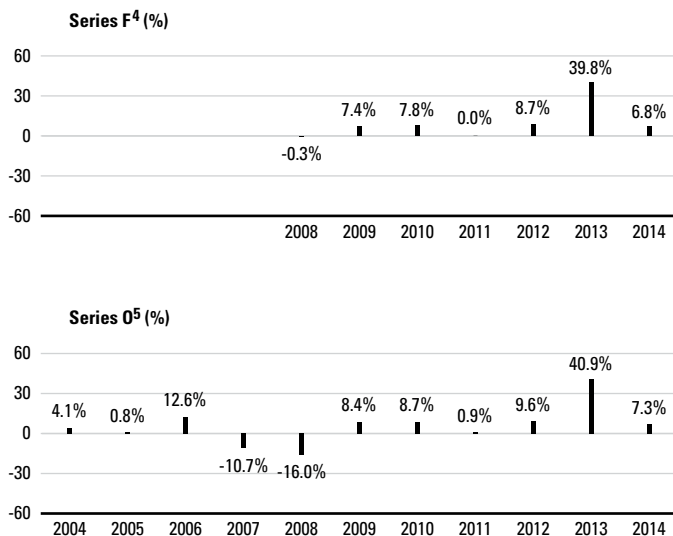
PAST PERFORMANCE

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Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)

¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date September 1992.

⁴ Inception date October 2008.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Information Technology	27.5
Health Care	17.8
Financials	16.2
Industrials	13.5
Energy	11.3
Consumer Discretionary	5.6
Consumer Staples	4.7
Cash/Other	3.4

Top 25 Holdings

	% of Net Asset Value
Varian Medical Systems Inc.	4.5
Wells Fargo & Company	4.3
QUALCOMM Inc.	4.3
Apple Inc.	4.3
Johnson & Johnson	3.9
Becton Dickinson & Co.	3.9
United Technologies Corp.	3.8
Cash & Cash Equivalents	3.4
General Electric Company	3.1
PepsiCo Inc.	3.1
Oracle Corporation	3.0
Aflac Inc.	2.9
Schlumberger Ltd.	2.8
Continental Resources Inc.	2.8
McGraw Hill Financial Inc.	2.7
Gilead Sciences Inc.	2.7
Apache Corp.	2.6
Cognizant Technology Solutions Corp., Class A	2.4
FMC Technologies Inc.	2.2
Google Inc., Class A	2.2
Google Inc., Class C	2.2
Microsoft Corp.	2.1
United Insurance Holdings Corp.	2.0
Generac Holdings Inc.	2.0
Celgene Corp.	1.8
Top 25 Holdings	75.0

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
OVERSEAS EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*Sub-Advisor: *Sky Investment Counsel Inc. ("Sky")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. To achieve the Fund's investment objective, we invest in companies that are attractively valued, possess sound fundamentals and have a strong market position.

Results of Operations

The Fund's net asset value was \$987.2 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 3.9%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

During the reporting period, European markets were led by the peripheral countries of Spain and Italy. Australia did not perform well in local currency, but was augmented by the strength of its currency. Emerging markets rebounded nicely. Brazil, in particular, enjoyed double-digit returns, after adjusting for a strong currency. The euro was flat against the Canadian dollar, as the European Central Bank moved to reduce interest rates. Japan was the worst-performing market, even after adjusting for a strong yen.

The Fund holds an overweight position in Europe and an underweight position in Japan, which helped performance. However, the Fund held an underweight position in Australia, which detracted as the Australian dollar was so strong. The Fund's exposure to Brazil contributed to returns.

It is surprising how resilient markets have been despite the geopolitical risk coming out of Russia, China and Iraq. Oil prices, however, did move up to reflect potential disruption from Iraq and this resulted in strong performance from the Energy sector. Over the past six months, defensive sectors such as Energy, Utilities, Health Care and Consumer Staples were the best performing. The Fund holds an overweight position in Energy and Health Care, which added to returns.

The underperformance of the Fund, relative to its benchmark, the MSCI EAFE Total Return Net Index CAD, was caused by stock selection during the reporting period. In particular, four stocks from the UK lagged: Balfour Beatty, Serco Group, Barclays and GlaxoSmithKline. The portfolio manager still believe that Barclays offers attractive value, selling at 0.7 times book value despite a core business which is already generating a return of 12%. Similarly, the portfolio manager believes that GlaxoSmithKline offers good value at a price earnings multiple of 14 times and offering a dividend yield of 4.0%.

During the reporting period, the top contributors to performance included Novartis, Telecom Italia and Nippon Telegraph & Telephone.

Recent Developments

Global markets have appreciated and the portfolio manager believes that valuations are fair. As interest rates remain low, investors have entered stock markets looking for higher returns. Many companies are cash rich and acquisition activity has increased, helping to propel markets higher. The portfolio manager is cautious of geopolitical risk escalating from Russia and Iraq, as higher energy prices can be a drag on economic recovery.

Going forward, the portfolio manager will continue to hold an overweight position in Health Care and Energy, two defensive sectors where valuations still appear attractive. The portfolio manager continues to look for attractively valued companies with strong balance sheets and leadership positions in their industries, and emphasizes investments in companies that generate positive cash flow and can pay attractive dividends.

RBC GAM has appointed RBC Global Asset Management (UK) Limited, an affiliate of RBC GAM, as sub-advisor for the Fund effective mid-August, 2014. RBC GAM will continue to provide investment management oversight for the Fund.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

Sky is the sub-advisor and provides investment advice for the Fund. RBC GAM has a non-controlling interest in Sky.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. There were no related-party commissions.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	11.21	0.28	(0.13)	1.06	(0.81)	0.40	—	—	—	—	—	11.59
Dec. 31, 2013	9.15	0.30	(0.22)	0.47	1.55	2.10	—	(0.09)	—	—	(0.09)	11.21
Dec. 31, 2012	7.97	0.28	(0.19)	(0.86)	2.06	1.29	—	(0.10)	—	—	(0.10)	9.15
Dec. 31, 2011	10.36	0.37	(0.20)	(0.42)	(1.94)	(2.19)	—	(0.21)	—	—	(0.21)	7.97
Dec. 31, 2010	10.12	0.29	(0.20)	0.63	(0.39)	0.33	—	(0.04)	—	—	(0.04)	10.36
Dec. 31, 2009	8.24	0.35	(0.19)	0.09	2.73	2.98	(0.11)	—	—	—	(0.11)	10.12
Advisor Series												
June 30, 2014	11.21	0.28	(0.13)	1.06	(0.81)	0.40	—	—	—	—	—	11.59
Dec. 31, 2013	9.15	0.29	(0.22)	0.46	1.54	2.07	—	(0.09)	—	—	(0.09)	11.21
Dec. 31, 2012	7.97	0.28	(0.19)	(0.86)	2.06	1.29	—	(0.10)	—	—	(0.10)	9.15
Dec. 31, 2011	10.36	0.37	(0.20)	(0.42)	(1.94)	(2.19)	—	(0.21)	—	—	(0.21)	7.97
Dec. 31, 2010 ³	10.48 [†]	0.05	(0.03)	0.10	(0.06)	0.06	—	(0.04)	—	—	(0.04)	10.36
Series D												
June 30, 2014	11.13	0.28	(0.08)	1.05	(0.80)	0.45	—	—	—	—	—	11.56
Dec. 31, 2013	9.08	0.29	(0.13)	0.46	1.54	2.16	—	(0.18)	—	—	(0.18)	11.13
Dec. 31, 2012	7.91	0.28	(0.12)	(0.86)	2.05	1.35	—	(0.17)	—	—	(0.17)	9.08
Dec. 31, 2011	10.29	0.37	(0.13)	(0.42)	(1.94)	(2.12)	—	(0.28)	—	—	(0.28)	7.91
Dec. 31, 2010	10.06	0.29	(0.13)	0.63	(0.39)	0.40	—	(0.13)	—	—	(0.13)	10.29
Dec. 31, 2009	8.18	0.32	(0.11)	(0.31)	2.15	2.05	(0.20)	—	—	—	(0.20)	10.06
Series F												
June 30, 2014	10.61	0.27	(0.06)	1.00	(0.77)	0.44	—	—	—	—	—	11.04
Dec. 31, 2013	8.66	0.28	(0.11)	0.45	1.48	2.10	—	(0.20)	—	—	(0.20)	10.61
Dec. 31, 2012	7.55	0.27	(0.09)	(0.82)	2.06	1.42	—	(0.19)	—	—	(0.19)	8.66
Dec. 31, 2011	9.81	0.36	(0.09)	(0.40)	(1.85)	(1.98)	—	(0.29)	—	—	(0.29)	7.55
Dec. 31, 2010	9.59	0.28	(0.10)	0.60	(0.37)	0.41	—	(0.15)	—	—	(0.15)	9.81
Dec. 31, 2009	7.80	0.27	(0.09)	0.09	1.71	1.98	(0.21)	—	—	—	(0.21)	9.59
Series O												
June 30, 2014	11.35	0.29	(0.01)	1.07	(0.82)	0.53	—	—	—	—	—	11.87
Dec. 31, 2013	9.27	0.30	(0.01)	0.48	1.59	2.36	—	(0.32)	—	—	(0.32)	11.35
Dec. 31, 2012	8.08	0.29	(0.01)	(0.88)	2.10	1.50	—	(0.30)	—	—	(0.30)	9.27
Dec. 31, 2011	10.50	0.38	(0.01)	(0.43)	(1.99)	(2.05)	—	(0.40)	—	—	(0.40)	8.08
Dec. 31, 2010	10.27	0.30	(0.01)	0.64	(0.40)	0.53	—	(0.27)	—	—	(0.27)	10.50
Dec. 31, 2009	8.36	0.32	—	(0.26)	2.16	2.22	(0.32)	—	—	—	(0.32)	10.27

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	11.59	3 165	273	2.22	2.22	86.42	0.44
Dec. 31, 2013	11.21	3 406	304	2.22	2.22	87.75	0.39
Dec. 31, 2012	9.15	2 862	313	2.21	2.21	87.82	0.38
Dec. 31, 2011	7.97	2 433	305	2.21	2.21	65.57	0.34
Dec. 31, 2010	10.36	1 765	170	2.16	2.16	76.17	0.34
Dec. 31, 2009	10.14	1 174	116	2.09 ⁴	2.16	75.28	0.36
Advisor Series							
June 30, 2014	11.59	1 113	96	2.22	2.22	86.42	0.44
Dec. 31, 2013	11.21	1 143	102	2.22	2.22	87.75	0.39
Dec. 31, 2012	9.15	578	63	2.21	2.21	87.82	0.38
Dec. 31, 2011	7.97	522	65	2.21	2.21	65.57	0.34
Dec. 31, 2010 ⁵	10.36	42	4	2.16	2.16	76.17	0.34
Series D							
June 30, 2014	11.56	156 300	13 524	1.34	1.34	86.42	0.44
Dec. 31, 2013	11.13	159 035	14 294	1.35	1.35	87.75	0.39
Dec. 31, 2012	9.08	186 156	20 501	1.39	1.39	87.82	0.38
Dec. 31, 2011	7.92	213 563	26 982	1.39	1.39	65.57	0.34
Dec. 31, 2010	10.29	316 624	30 758	1.35	1.35	76.17	0.34
Dec. 31, 2009	10.07	342 829	34 038	1.28 ⁴	1.28	75.28	0.36
Series F							
June 30, 2014	11.04	3 760	341	1.13	1.13	86.42	0.44
Dec. 31, 2013	10.61	4 178	394	1.13	1.13	87.75	0.39
Dec. 31, 2012	8.66	3 292	380	1.11	1.11	87.82	0.38
Dec. 31, 2011	7.55	3 931	521	1.10	1.10	65.57	0.34
Dec. 31, 2010	9.81	4 385	447	1.08	1.08	76.17	0.34
Dec. 31, 2009	9.61	3 312	345	1.04 ⁴	1.05	75.28	0.36
Series O							
June 30, 2014	11.87	822 931	69 345	0.09	0.09	86.42	0.44
Dec. 31, 2013	11.35	868 969	76 537	0.09	0.09	87.75	0.39
Dec. 31, 2012	9.27	754 074	81 370	0.09	0.09	87.82	0.38
Dec. 31, 2011	8.08	615 435	76 209	0.09	0.09	65.57	0.34
Dec. 31, 2010	10.51	730 600	69 548	0.09	0.09	76.17	0.34
Dec. 31, 2009	10.28	617 249	60 029	0.04 ⁴	0.04	75.28	0.36

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 2.09%, Series D – 1.31%, Series F – 1.05%, Series O – 0.08%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.85%	54%	46%
Advisor Series	1.85%	54%	46%
Series D	1.10%	23%	77%
Series F	0.85%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

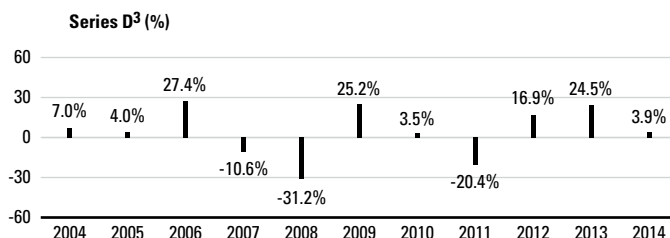
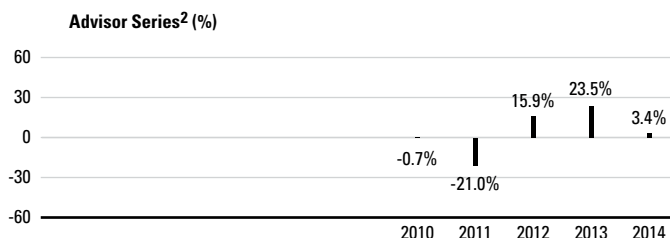
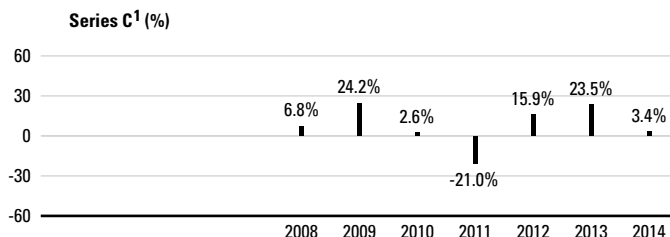
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

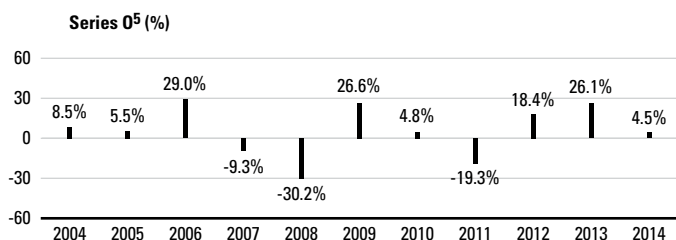
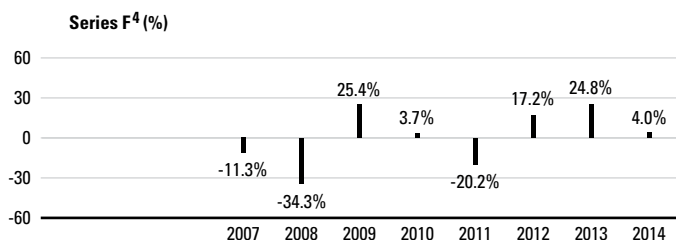
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date December 2000.

⁴ Inception date June 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix – Sectors

	% of Net Asset Value
Financials	21.8
Health Care	19.0
Industrials	12.1
Energy	10.8
Consumer Staples	9.0
Materials	8.4
Telecommunication Services	6.0
Consumer Discretionary	4.8
Utilities	3.7
Information Technology	1.8
Cash/Other	2.6

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-U.K. Equities	47.3
U.K. Equities	24.7
Japan Equities	12.3
Pacific ex-Japan Equities	6.1
U.S. Equities	4.1
Latin America Equities	2.9
Cash/Other	2.6

Top 25 Holdings

	% of Net Asset Value
GlaxoSmithKline Plc.	4.8
Sanofi	4.7
Novartis AG	4.2
Roche Holdings AG Genussscheine	4.0
Barclays Plc.	3.4
Nippon Telegraph & Telephone Corp.	3.3
Total S.A.	3.1
Direct Line Insurance Group Plc.	2.7
Cash & Cash Equivalents	2.4
Itochu Corp.	2.4
Royal Dutch Shell Plc., A Shares	2.3
TNT Express N.V.	2.1
Balfour Beatty Plc.	2.0
Syngenta AG	2.0
Cia de Saneamento Basico do Estado de Sao Paulo ADR	1.7
Unilever Plc.	1.6
The Royal Bank of Scotland Group Plc.	1.6
Inpex Corp.	1.6
Nestlé S.A.	1.5
Yara International ASA	1.5
GDF Suez	1.5
Intesa Sanpaolo S.p.A.	1.5
Koninklijke Philips N.V.	1.4
Credit Suisse Group	1.4
Japan Tobacco Inc.	1.2
Top 25 Holdings	59.9

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INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
CURRENCY-HEDGED OVERSEAS
EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

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The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
MANAGEMENT DISCUSSION OF FUND PERFORMANCE
Investment Objective and Strategies

The Fund seeks 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. To achieve the Fund's investment objective, we invest primarily in units of the Phillips, Hager & North Overseas Equity Fund (the "Underlying Fund"), as well as derivative instruments that are used to hedge against fluctuations in the value of foreign currencies relative to the Canadian dollar.

Results of Operations

The Fund's net asset value was \$987.2 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 2.4%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

The Fund held an overweight position in Europe and an underweight position in Japan, and this aided returns during the period. An exposure to Brazil also had a positive contribution. The defensive sectors – Energy, Utilities, Health Care and Consumer Staples – were the best performing over the past six months. The Fund held an overweight position in the Energy and Health Care sectors which had a positive impact on performance.

Overall, the top contributors to performance during the first half of the year were holdings in Novartis, Telecom Italia, Renault and Nippon Telegraph & Telephone. However, stock selection detracted from returns, led by four U.K.-based companies: Balfour Beatty, Serco, Barclays and GlaxoSmithKline.

The Fund's currency-hedging strategy had a positive effect on performance as a broad number of currencies depreciated against the Canadian dollar during the reporting period.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

RBC GAM has appointed RBC Global Asset Management (UK) Limited, an affiliate of RBC GAM, as sub-advisor for the Fund effective mid-August, 2014. RBC GAM will continue to provide investment management oversight for the Fund.

Related-Party Transactions
Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND*****Registrars***

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors (“BoG”) in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	8.89	–	(0.10)	0.22	0.03	0.15	–	–	–	–	–	9.07
Dec. 31, 2013	7.59	0.20	(0.18)	0.09	1.22	1.33	–	(0.06)	–	–	(0.06)	8.89
Dec. 31, 2012	6.59	0.26	(0.16)	0.19	1.00	1.29	–	(0.07)	(0.16)	–	(0.23)	7.59
Dec. 31, 2011	8.72	0.35	(0.16)	(0.32)	(1.86)	(1.99)	–	(0.16)	–	–	(0.16)	6.59
Dec. 31, 2010	8.22	0.24	(0.17)	0.56	0.05	0.68	–	(0.03)	(0.04)	–	(0.07)	8.72
Dec. 31, 2009	5.94	0.73	(0.16)	(0.20)	2.19	2.56	(0.07)	–	–	–	(0.07)	8.22
Advisor Series												
June 30, 2014	8.89	–	(0.10)	0.22	0.03	0.15	–	–	–	–	–	9.07
Dec. 31, 2013	7.59	0.20	(0.18)	0.09	1.21	1.32	–	(0.06)	–	–	(0.06)	8.89
Dec. 31, 2012	6.59	0.26	(0.16)	0.19	1.00	1.29	–	(0.07)	(0.16)	–	(0.23)	7.59
Dec. 31, 2011	8.72	0.35	(0.16)	(0.32)	(1.86)	(1.99)	–	(0.16)	–	–	(0.16)	6.59
Dec. 31, 2010 ³	8.53 [†]	0.04	(0.03)	0.09	0.01	0.11	–	(0.03)	(0.04)	–	(0.07)	8.72
Series D												
June 30, 2014	8.64	–	(0.06)	0.22	0.03	0.19	–	–	–	–	–	8.85
Dec. 31, 2013	7.37	0.19	(0.11)	0.09	1.16	1.33	–	(0.13)	–	–	(0.13)	8.64
Dec. 31, 2012	6.41	0.25	(0.10)	0.18	0.98	1.31	–	(0.13)	(0.16)	–	(0.29)	7.37
Dec. 31, 2011	8.49	0.34	(0.10)	(0.31)	(1.84)	(1.91)	–	(0.21)	–	–	(0.21)	6.41
Dec. 31, 2010	8.01	0.24	(0.11)	0.56	0.05	0.74	–	(0.10)	(0.04)	–	(0.14)	8.49
Dec. 31, 2009	5.92	0.26	(0.09)	(0.01)	2.22	2.38	(0.14)	–	–	–	(0.14)	8.01
Series F												
June 30, 2014	8.72	–	(0.05)	0.22	0.03	0.20	–	–	–	–	–	8.95
Dec. 31, 2013	7.44	0.20	(0.09)	0.09	1.22	1.42	–	(0.15)	–	–	(0.15)	8.72
Dec. 31, 2012	6.46	0.25	(0.08)	0.19	0.99	1.35	–	(0.16)	(0.16)	–	(0.32)	7.44
Dec. 31, 2011	8.56	0.34	(0.08)	(0.31)	(1.84)	(1.89)	–	(0.23)	–	–	(0.23)	6.46
Dec. 31, 2010	8.08	0.24	(0.08)	0.56	0.05	0.77	–	(0.13)	(0.04)	–	(0.17)	8.56
Dec. 31, 2009	5.98	0.24	(0.07)	(0.04)	1.97	2.10	(0.17)	–	–	–	(0.17)	8.08
Series O												
June 30, 2014	8.76	–	(0.01)	0.22	0.03	0.24	–	–	–	–	–	9.02
Dec. 31, 2013	7.47	0.20	(0.01)	0.09	1.21	1.49	–	(0.23)	–	–	(0.23)	8.76
Dec. 31, 2012	6.49	0.26	(0.01)	0.19	0.99	1.43	–	(0.23)	(0.16)	–	(0.39)	7.47
Dec. 31, 2011	8.60	0.34	(0.01)	(0.32)	(1.86)	(1.85)	–	(0.30)	–	–	(0.30)	6.49
Dec. 31, 2010	8.12	0.24	(0.01)	0.56	0.05	0.84	–	(0.21)	(0.04)	–	(0.25)	8.60
Dec. 31, 2009	6.01	0.25	(0.01)	(0.03)	2.16	2.37	(0.24)	–	–	–	(0.24)	8.12

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	9.07	676	75	2.31	2.31	8.68	0.44
Dec. 31, 2013	8.89	690	78	2.31	2.31	15.31	0.40
Dec. 31, 2012	7.59	774	102	2.32	2.32	26.95	0.38
Dec. 31, 2011	6.59	474	72	2.30	2.30	22.35	0.34
Dec. 31, 2010	8.72	369	42	2.24	2.24	20.15	0.34
Dec. 31, 2009	8.22	150	18	2.12 ⁴	3.27	35.60	0.56
Advisor Series							
June 30, 2014	9.07	127	14	2.30	2.30	8.68	0.44
Dec. 31, 2013	8.89	176	20	2.31	2.31	15.31	0.40
Dec. 31, 2012	7.59	62	8	2.32	2.32	26.95	0.38
Dec. 31, 2011	6.59	11	2	2.30	2.30	22.35	0.34
Dec. 31, 2010 ⁵	8.72	–	–	2.24	2.24	20.15	0.34
Series D							
June 30, 2014	8.85	12 603	1 424	1.44	1.44	8.68	0.44
Dec. 31, 2013	8.64	14 496	1 678	1.45	1.45	15.31	0.40
Dec. 31, 2012	7.37	35 554	4 822	1.48	1.48	26.95	0.38
Dec. 31, 2011	6.41	42 109	6 573	1.48	1.48	22.35	0.34
Dec. 31, 2010	8.49	59 969	7 067	1.44	1.44	20.15	0.34
Dec. 31, 2009	8.01	52 624	6 573	1.35 ⁴	1.35	35.60	0.56
Series F							
June 30, 2014	8.95	787	88	1.20	1.20	8.68	0.44
Dec. 31, 2013	8.72	1 042	119	1.18	1.18	15.31	0.40
Dec. 31, 2012	7.44	827	111	1.18	1.18	26.95	0.38
Dec. 31, 2011	6.46	794	123	1.21	1.21	22.35	0.34
Dec. 31, 2010	8.56	626	73	1.17	1.17	20.15	0.34
Dec. 31, 2009	8.08	415	51	1.07 ⁴	1.24	35.60	0.56
Series O							
June 30, 2014	9.02	138 377	15 335	0.25	0.25	8.68	0.44
Dec. 31, 2013	8.76	179 288	20 476	0.24	0.24	15.31	0.40
Dec. 31, 2012	7.47	187 165	25 054	0.25	0.25	26.95	0.38
Dec. 31, 2011	6.49	142 835	22 010	0.25	0.25	22.35	0.34
Dec. 31, 2010	8.60	143 589	16 697	0.24	0.24	20.15	0.34
Dec. 31, 2009	8.12	106 324	13 096	0.15 ⁴	0.15	35.60	0.56

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 2.16%, Series D – 1.40%, Series F – 1.14%, Series O – 0.23%.

⁵ From October 2010.

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.85%	54%	46%
Advisor Series	1.85%	54%	46%
Series D	1.10%	23%	77%
Series F	0.85%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

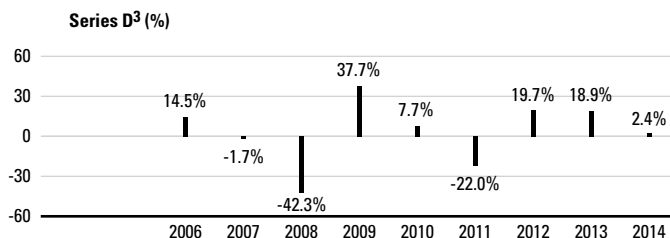
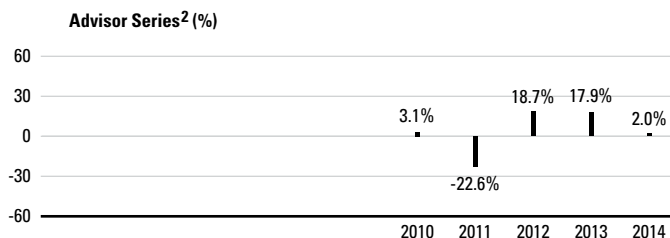
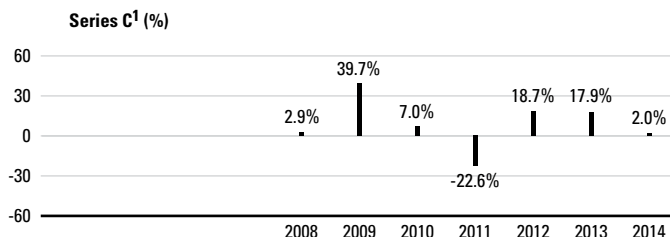
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

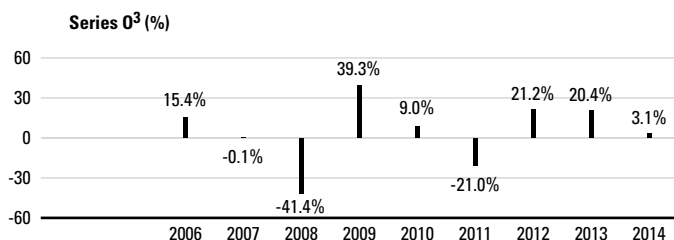
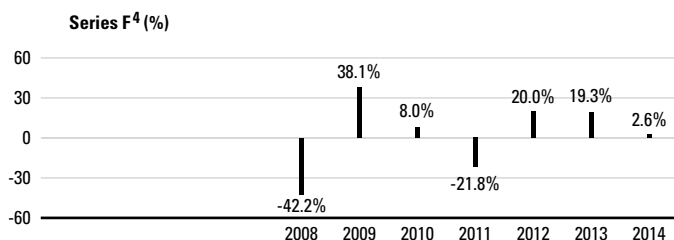
Year-by-Year Returns (%)

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



**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

Investment Management®

PAST PERFORMANCE (cont.)


¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date June 2006.

⁴ Inception date December 2007.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix – Sectors

	% of Net Asset Value
Financials	21.9
Health Care	19.2
Industrials	12.2
Energy	11.0
Consumer Staples	9.2
Materials	8.6
Telecommunication Services	6.1
Consumer Discretionary	4.9
Utilities	3.8
Information Technology	1.8
Cash/Other	1.3

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-U.K. Equities	46.7
U.K. Equities	24.4
Japan Equities	12.2
Pacific ex-Japan Equities	6.0
U.S. Equities	4.0
Latin America Equities	2.8
Cash/Other	3.9

Top 25 Holdings*

	% of Net Asset Value
GlaxoSmithKline Plc.	4.8
Sanofi	4.7
Novartis AG	4.2
Roche Holdings AG Genussscheine	4.0
Barclays Plc.	3.4
Nippon Telegraph & Telephone Corp.	3.3
Total S.A.	3.1
Direct Line Insurance Group Plc.	2.7
Cash & Cash Equivalents	2.4
Itochu Corp.	2.4
Royal Dutch Shell Plc., A Shares	2.3
TNT Express N.V.	2.1
Balfour Beatty Plc.	2.0
Syngenta AG	2.0
Cia de Saneamento Basico do Estado de Sao Paulo ADR	1.7
Unilever Plc.	1.6
The Royal Bank of Scotland Group Plc.	1.6
Inpex Corp.	1.6
Nestlé S.A.	1.5
Yara International ASA	1.5
GDF Suez	1.5
Intesa Sanpaolo S.p.A.	1.5
Koninklijke Philips N.V.	1.4
Credit Suisse Group	1.4
Japan Tobacco Inc.	1.2
Top 25 Holdings	59.9

* The Fund invests substantially all of its assets directly in the Phillips, Hager & North Overseas Equity Fund. The above are the Top 25 holdings of the Phillips, Hager & North Overseas Equity Fund.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly, and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

GLOBAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
GLOBAL EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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. We invest primarily in companies that we believe have sound fundamentals, a strong market position, a history of profitability, a capable management team, and attractive valuations. To achieve the Fund's investment objective, we invest a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM where the investment is consistent with the investment objectives and strategies of the Fund.

Results of Operations

The Fund's net asset value was \$91.1 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 6.0%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

In the Fund's U.S. equity holding, the Phillips, Hager & North U.S. Equity Fund, security selection in the Information Technology and Industrials sectors had the most significant impact on performance. Holdings in Delta Air Lines, Spirit Airlines, Walgreen, Apache and Alliance Bernstein were the top contributors to returns during the past six months. Poor stock selection and an underweight in the Utilities sector, and an overweight position in the Financials sector, detracted from returns. Positions in Bed Bath & Beyond and Oaktree Capital weighed on performance.

In the Fund's international equity holding, the Phillips, Hager & North Overseas Equity Fund, an overweight position in Europe and an underweight position in Japan aided returns during the period. An exposure to Brazil also had a positive contribution. The defensive sectors – Energy, Utilities, Health Care and Consumer Staples – were the best performing over the past six months. The Fund held an overweight position in the Energy and Health Care sectors which had a positive impact on performance. Overall, the top contributors to performance during the first half of the year were holdings in Novartis, Telecom Italia, Renault and Nippon Telegraph & Telephone. However, stock selection detracted from returns, led by four U.K.-based companies: Balfour Beatty, Serco, Barclays and GlaxoSmithKline.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

RBC GAM has appointed RBC Global Asset Management (UK) Limited, an affiliate of RBC GAM, as sub-advisor for the Fund effective mid-August, 2014. RBC GAM will continue to provide investment management oversight for the Fund.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	10.25	–	(0.11)	0.54	0.16	0.59	–	–	–	–	–	10.82
Dec. 31, 2013	7.90	0.24	(0.19)	0.53	1.88	2.46	–	(0.07)	–	–	(0.07)	10.25
Dec. 31, 2012	7.13	0.21	(0.16)	(0.05)	0.86	0.86	–	(0.06)	–	–	(0.06)	7.90
Dec. 31, 2011	8.21	0.30	(0.15)	(0.31)	(0.74)	(0.90)	–	(0.23)	–	–	(0.23)	7.13
Dec. 31, 2010	7.87	0.21	(0.15)	0.28	0.03	0.37	–	(0.03)	–	–	(0.03)	8.21
Dec. 31, 2009	7.07	0.13	(0.15)	0.16	0.36	0.50	(0.08)	–	–	–	(0.08)	7.87
Advisor Series												
June 30, 2014	10.25	–	(0.11)	0.54	0.16	0.59	–	–	–	–	–	10.82
Dec. 31, 2013	7.90	0.23	(0.19)	0.52	1.86	2.42	–	(0.07)	–	–	(0.07)	10.25
Dec. 31, 2012	7.13	0.21	(0.16)	(0.05)	0.86	0.86	–	(0.06)	–	–	(0.06)	7.90
Dec. 31, 2011	8.21	0.30	(0.15)	(0.31)	(0.74)	(0.90)	–	(0.23)	–	–	(0.23)	7.13
Dec. 31, 2010 ³	8.10 [†]	0.03	(0.03)	0.05	0.01	0.06	–	(0.03)	–	–	(0.03)	8.21
Series D												
June 30, 2014	10.27	–	(0.06)	0.54	0.16	0.64	–	–	–	–	–	10.89
Dec. 31, 2013	7.92	0.23	(0.11)	0.52	1.86	2.50	–	(0.15)	–	–	(0.15)	10.27
Dec. 31, 2012	7.15	0.21	(0.09)	(0.05)	0.87	0.94	–	(0.13)	–	–	(0.13)	7.92
Dec. 31, 2011	8.23	0.30	(0.09)	(0.31)	(0.74)	(0.84)	–	(0.30)	–	–	(0.30)	7.15
Dec. 31, 2010	7.89	0.21	(0.09)	0.28	0.03	0.43	–	(0.11)	–	–	(0.11)	8.23
Dec. 31, 2009	7.10	0.21	(0.09)	(0.61)	1.00	0.51	(0.14)	–	–	–	(0.14)	7.89
Series F												
June 30, 2014	10.38	–	(0.05)	0.55	0.16	0.66	–	–	–	–	–	11.01
Dec. 31, 2013	8.00	0.24	(0.09)	0.53	1.91	2.59	–	(0.17)	–	–	(0.17)	10.38
Dec. 31, 2012	7.22	0.21	(0.07)	(0.05)	0.88	0.97	–	(0.16)	–	–	(0.16)	8.00
Dec. 31, 2011	8.31	0.31	(0.07)	(0.32)	(0.75)	(0.83)	–	(0.32)	–	–	(0.32)	7.22
Dec. 31, 2010	7.97	0.21	(0.07)	0.29	0.03	0.46	–	(0.13)	–	–	(0.13)	8.31
Dec. 31, 2009	7.19	0.17	(0.07)	–	1.95	2.05	(0.17)	–	–	–	(0.17)	7.97
Series O												
June 30, 2014	10.43	–	–	0.55	0.16	0.71	–	–	–	–	–	11.12
Dec. 31, 2013	8.04	0.23	(0.01)	0.52	1.87	2.61	–	(0.27)	–	–	(0.27)	10.43
Dec. 31, 2012	7.26	0.22	(0.01)	(0.05)	0.89	1.05	–	(0.23)	–	–	(0.23)	8.04
Dec. 31, 2011	8.36	0.30	(0.01)	(0.31)	(0.73)	(0.75)	–	(0.39)	–	–	(0.39)	7.26
Dec. 31, 2010	8.02	0.21	(0.01)	0.29	0.03	0.52	–	(0.21)	–	–	(0.21)	8.36
Dec. 31, 2009	7.22	0.22	(0.01)	(0.57)	1.20	0.84	(0.23)	–	–	–	(0.23)	8.02

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	10.82	3 223	298	2.11	2.11	21.16	0.23
Dec. 31, 2013	10.25	2 921	285	2.12	2.12	15.07	0.24
Dec. 31, 2012	7.90	1 840	233	2.14	2.14	16.15	0.22
Dec. 31, 2011	7.13	1 582	222	2.16	2.16	218.65	0.12
Dec. 31, 2010	8.21	1 835	223	2.07	2.07	66.87	0.23
Dec. 31, 2009	7.88	1 495	190	1.99 ⁴	2.59	44.06	0.22
Advisor Series							
June 30, 2014	10.82	1 060	98	2.11	2.11	21.16	0.23
Dec. 31, 2013	10.25	637	62	2.12	2.12	15.07	0.24
Dec. 31, 2012	7.90	267	34	2.14	2.14	16.15	0.22
Dec. 31, 2011	7.13	122	17	2.16	2.16	218.65	0.12
Dec. 31, 2010 ⁵	8.21	–	–	2.07	2.07	66.87	0.23
Series D							
June 30, 2014	10.89	34 754	3 192	1.23	1.23	21.16	0.23
Dec. 31, 2013	10.27	34 029	3 312	1.26	1.26	15.07	0.24
Dec. 31, 2012	7.92	34 301	4 333	1.28	1.28	16.15	0.22
Dec. 31, 2011	7.15	36 198	5 065	1.30	1.30	218.65	0.12
Dec. 31, 2010	8.24	47 857	5 811	1.24	1.24	66.87	0.23
Dec. 31, 2009	7.90	51 455	6 513	1.26 ⁴	1.26	44.06	0.22
Series F							
June 30, 2014	11.01	314	29	0.99	0.99	21.16	0.23
Dec. 31, 2013	10.38	207	20	1.01	1.01	15.07	0.24
Dec. 31, 2012	8.00	152	19	0.97	0.97	16.15	0.22
Dec. 31, 2011	7.22	156	22	1.00	1.00	218.65	0.12
Dec. 31, 2010	8.32	172	21	0.99	0.99	66.87	0.23
Dec. 31, 2009	7.98	94	12	1.02 ⁴	2.08	44.06	0.22
Series O							
June 30, 2014	11.12	51 749	4 655	0.12	0.12	21.16	0.23
Dec. 31, 2013	10.43	58 479	5 605	0.12	0.12	15.07	0.24
Dec. 31, 2012	8.04	70 410	8 759	0.13	0.13	16.15	0.22
Dec. 31, 2011	7.26	65 409	9 013	0.15	0.15	218.65	0.12
Dec. 31, 2010	8.36	107 129	12 811	0.12	0.12	66.87	0.23
Dec. 31, 2009	8.03	100 800	12 558	0.09 ⁴	0.09	44.06	0.22

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.99%, Series D – 1.22%, Series F – 0.95%, Series O – 0.12%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

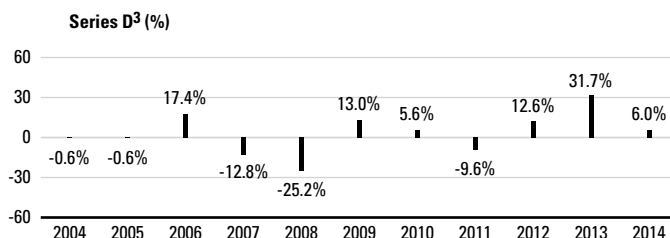
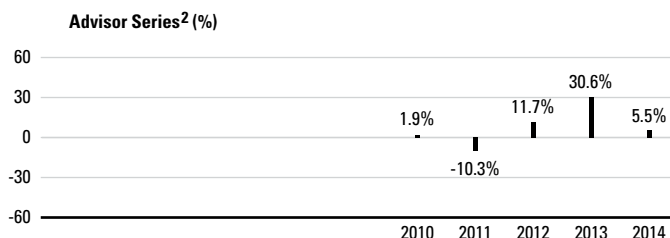
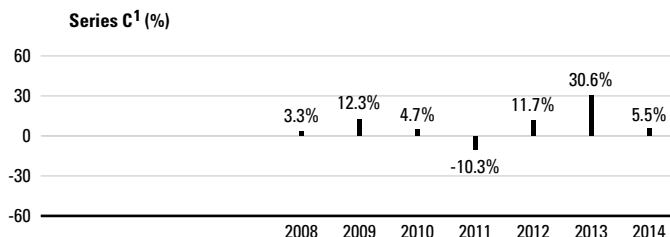
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

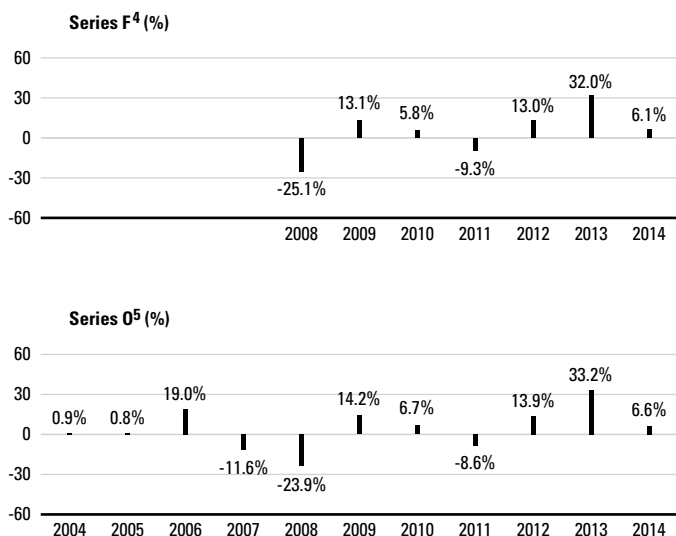
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date December 2000.

⁴ Inception date December 2007.

⁵ Inception date October 2002.

Series D was known as Series A prior to November 17, 2008. Although Series A units of the Fund were created in September 2000, units were not offered for sale under a Simplified Prospectus until December 2000. We are therefore not permitted to disclose performance data for this Fund for any period prior to December 2000.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix – Sectors

	% of Net Asset Value
Financials	21.7
Health Care	16.2
Industrials	12.7
Energy	11.9
Information Technology	11.6
Consumer Staples	8.9
Consumer Discretionary	6.6
Materials	4.2
Telecommunication Services	3.2
Utilities	2.5
Cash/Other	0.5

Investment Mix – Countries/Regions

	% of Net Asset Value
U.S. Equities	58.3
Europe ex-U.K. Equities	19.3
U.K. Equities	10.2
Japan Equities	5.0
Pacific ex-Japan Equities	2.5
Latin America Equities	1.2
Cash/Other	3.5

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North U.S. Equity Fund	57.7
Phillips, Hager & North Overseas Equity Pension Trust	41.8
Cash & Cash Equivalents	0.5
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

GLOBAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
COMMUNITY VALUES GLOBAL
EQUITY FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*Sub-Advisor: *Sky Investment Counsel Inc. ("Sky")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
MANAGEMENT DISCUSSION OF FUND PERFORMANCE
Investment Objective and Strategies

The Fund seeks 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. Our intention is that the securities of companies that conduct themselves in a socially responsible manner will be included in the portfolio. To achieve the Fund's investment objective, we invest primarily in companies that we believe have sound fundamentals, a strong market position, a history of profitability, a capable management team, and attractive valuations.

Results of Operations

The Fund's net asset value was \$97.3 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 6.7%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed.

Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

In the U.S. equity portion of the Fund, security selection in the Information Technology and Industrials sectors had the most significant impact on performance. Holdings in Delta Air Lines, Spirit Airlines, Walgreen, Apache and Alliance Bernstein were the top contributors to returns during the past six months. Poor stock selection and an underweight in the Utilities sector, and an overweight position in the Financials sector, detracted from returns. Positions in Bed Bath & Beyond and Oaktree Capital weighed on performance.

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The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

RBC GAM has appointed RBC Global Asset Management (UK) Limited, an affiliate of RBC GAM, as sub-advisor for the Fund effective mid-August, 2014. RBC GAM will continue to provide investment management oversight for the Fund.

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Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

Sky is the sub-advisor and provides investment advice for the Fund. RBC GAM has a non-controlling interest in Sky.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
 GLOBAL EQUITY FUND**
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Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$0 (2013 – \$4,000), or 0% (2013 – 5%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
 GLOBAL EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	11.10	0.16	(0.12)	1.01	(0.37)	0.68	—	—	—	—	—	11.79
Dec. 31, 2013	8.43	0.21	(0.20)	0.98	1.70	2.69	—	(0.01)	—	—	(0.01)	11.10
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43
Dec. 31, 2011	8.66	0.24	(0.16)	(0.26)	(0.76)	(0.94)	—	(0.08)	—	—	(0.08)	7.61
Dec. 31, 2010	8.23	0.20	(0.17)	0.15	0.27	0.45	—	—	—	—	—	8.66
Dec. 31, 2009	7.11	0.14	(0.16)	0.36	0.98	1.32	(0.01)	—	—	—	(0.01)	8.23
Advisor Series												
June 30, 2014	11.10	0.16	(0.12)	1.01	(0.37)	0.68	—	—	—	—	—	11.80
Dec. 31, 2013	8.43	0.21	(0.21)	0.98	1.70	2.68	—	(0.01)	—	—	(0.01)	11.10
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43
Dec. 31, 2011	8.66	0.24	(0.16)	(0.26)	(0.76)	(0.94)	—	(0.08)	—	—	(0.08)	7.61
Dec. 31, 2010 ³	8.53 [†]	0.03	(0.03)	0.03	0.04	0.07	—	—	—	—	—	8.66
Series D												
June 30, 2014	11.03	0.16	(0.07)	1.01	(0.36)	0.74	—	—	—	—	—	11.76
Dec. 31, 2013	8.38	0.20	(0.12)	0.97	1.68	2.73	—	(0.11)	—	—	(0.11)	11.03
Dec. 31, 2012	7.56	0.20	(0.10)	(0.19)	0.97	0.88	—	(0.10)	—	—	(0.10)	8.38
Dec. 31, 2011	8.60	0.24	(0.10)	(0.26)	(0.76)	(0.88)	—	(0.14)	—	—	(0.14)	7.56
Dec. 31, 2010	8.18	0.21	(0.10)	0.16	0.27	0.54	—	(0.07)	—	—	(0.07)	8.60
Dec. 31, 2009	7.07	0.18	(0.10)	(0.53)	1.50	1.05	(0.07)	—	—	—	(0.07)	8.18
Series F												
June 30, 2014	11.02	0.16	(0.06)	1.01	(0.36)	0.75	—	—	—	—	—	11.77
Dec. 31, 2013	8.37	0.21	(0.10)	0.99	1.71	2.81	—	(0.13)	—	—	(0.13)	11.02
Dec. 31, 2012	7.55	0.20	(0.08)	(0.19)	0.96	0.89	—	(0.12)	—	—	(0.12)	8.37
Dec. 31, 2011	8.59	0.23	(0.08)	(0.26)	(0.74)	(0.85)	—	(0.16)	—	—	(0.16)	7.55
Dec. 31, 2010	8.13	0.21	(0.07)	0.16	0.27	0.57	—	(0.10)	—	—	(0.10)	8.59
Dec. 31, 2009	7.03	0.18	(0.08)	(0.49)	1.55	1.16	(0.09)	—	—	—	(0.09)	8.13
Series O												
June 30, 2014	11.20	0.17	(0.01)	1.03	(0.37)	0.82	—	—	—	—	—	12.01
Dec. 31, 2013	8.51	0.21	(0.02)	0.99	1.72	2.90	—	(0.23)	—	—	(0.23)	11.20
Dec. 31, 2012	7.67	0.20	(0.01)	(0.19)	0.98	0.98	—	(0.19)	—	—	(0.19)	8.51
Dec. 31, 2011	8.74	0.24	(0.01)	(0.27)	(0.78)	(0.82)	—	(0.23)	—	—	(0.23)	7.67
Dec. 31, 2010	8.31	0.21	(0.01)	0.16	0.28	0.64	—	(0.17)	—	—	(0.17)	8.74
Dec. 31, 2009	7.18	0.19	(0.02)	(0.51)	1.55	1.21	(0.16)	—	—	—	(0.16)	8.31

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	11.79	1 668	141	2.08	2.08	75.41	0.20
Dec. 31, 2013	11.10	1 320	119	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	522	62	2.10	2.10	89.40	0.26
Dec. 31, 2011	7.61	378	50	2.11	2.11	95.36	0.18
Dec. 31, 2010	8.66	399	46	2.09	2.09	54.06	0.23
Dec. 31, 2009	8.24	90	11	2.05 ⁴	4.92	59.28	0.22
Advisor Series							
June 30, 2014	11.80	1 081	92	2.08	2.08	75.41	0.20
Dec. 31, 2013	11.10	697	63	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	149	18	2.10	2.10	89.40	0.26
Dec. 31, 2011	7.61	67	9	2.11	2.11	95.36	0.18
Dec. 31, 2010 ⁵	8.66	–	–	2.09	2.09	54.06	0.23
Series D							
June 30, 2014	11.76	7 519	639	1.24	1.24	75.41	0.20
Dec. 31, 2013	11.03	6 801	617	1.25	1.25	57.54	0.20
Dec. 31, 2012	8.38	5 844	697	1.28	1.28	89.40	0.26
Dec. 31, 2011	7.56	5 655	748	1.28	1.28	95.36	0.18
Dec. 31, 2010	8.60	6 213	722	1.27	1.27	54.06	0.23
Dec. 31, 2009	8.19	5 895	720	1.33 ⁴	1.41	59.28	0.22
Series F							
June 30, 2014	11.77	530	45	0.98	0.98	75.41	0.20
Dec. 31, 2013	11.02	308	28	1.03	1.03	57.54	0.20
Dec. 31, 2012	8.37	91	11	1.02	1.02	89.40	0.26
Dec. 31, 2011	7.55	40	5	1.01	1.01	95.36	0.18
Dec. 31, 2010	8.59	1	–	0.95	0.95	54.06	0.23
Dec. 31, 2009	8.14	11	1	1.06 ⁴	3.16	59.28	0.22
Series O							
June 30, 2014	12.01	86 497	7 200	0.17	0.17	75.41	0.20
Dec. 31, 2013	11.20	78 624	7 018	0.16	0.16	57.54	0.20
Dec. 31, 2012	8.51	73 186	8 598	0.17	0.17	89.40	0.26
Dec. 31, 2011	7.68	57 418	7 478	0.18	0.18	95.36	0.18
Dec. 31, 2010	8.74	56 484	6 464	0.17	0.17	54.06	0.23
Dec. 31, 2009	8.32	44 894	5 396	0.21 ⁴	0.21	59.28	0.22

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.97%, Series D – 1.21%, Series F – 0.94%, Series O – 0.16%.

⁵ From October 2010.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

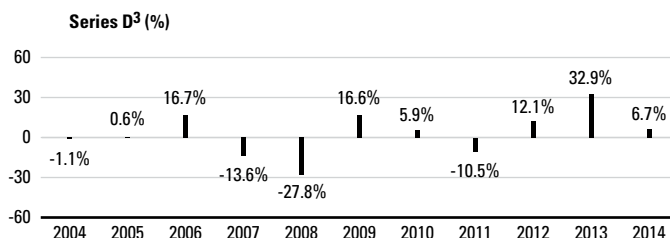
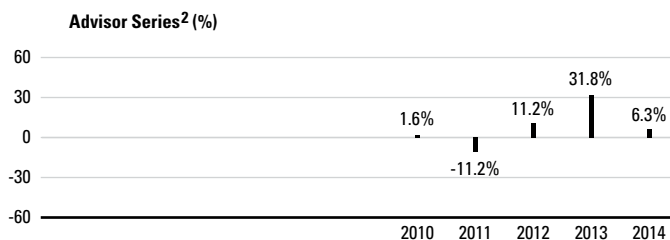
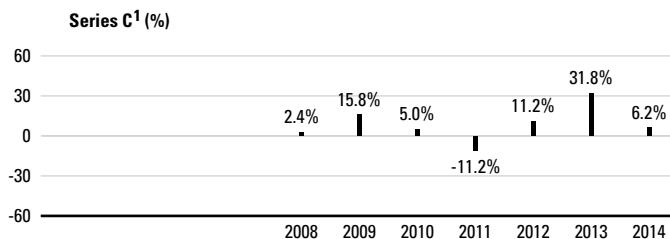
* Includes all costs related to management, investment advisory services, general administration and profit.

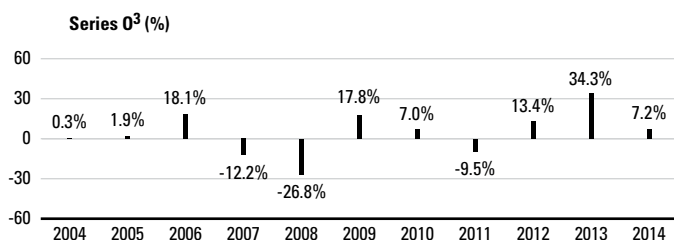
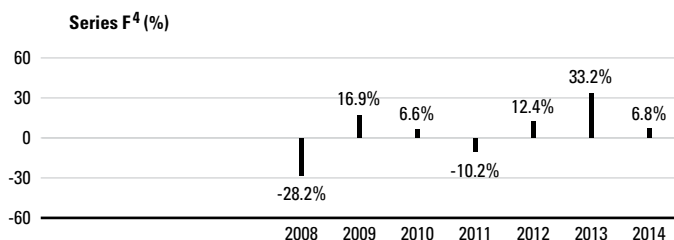
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
PAST PERFORMANCE (cont.)


¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date September 2002.

⁴ Inception date December 2007.

Series D was known as Series A prior to November 17, 2008. Although the Fund was prospectused in August 2002, Series A and Series O units were not offered for sale until September 2002. We are therefore not permitted to disclose performance data for this Fund for any period prior to September 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix – Sectors

	% of Net Asset Value
Financials	21.6
Health Care	15.6
Information Technology	13.3
Industrials	12.1
Energy	9.3
Consumer Staples	7.5
Consumer Discretionary	7.2
Telecommunication Services	3.8
Utilities	3.5
Materials	3.1
Cash/Other	3.0

Investment Mix – Countries/Regions

	% of Net Asset Value
U.S. Equities	57.9
Europe ex-U.K. Equities	20.0
U.K. Equities	8.9
Japan Equities	5.3
Pacific ex-Japan Equities	2.6
Latin America Equities	2.0
Middle East & Africa Equities	0.3
Cash/Other	3.0

Top 25 Holdings

	% of Net Asset Value
Cash & Cash Equivalents	2.9
Wells Fargo & Company	2.3
PepsiCo Inc.	2.3
Apple Inc.	2.3
Apache Corp.	2.1
Emerson Electric Co.	2.1
Novartis AG	2.1
Roche Holdings AG Genusschein	2.0
Continental Resources Inc.	1.9
Unilever Plc.	1.7
Merck KGaA	1.7
Becton Dickinson & Co.	1.7
Oracle Corporation	1.7
Delta Air Lines Inc.	1.6
MetLife Inc.	1.5
AbbVie Inc.	1.5
Microsoft Corp.	1.5
WellPoint Inc.	1.5
Nippon Telegraph & Telephone Corp.	1.4
Varian Medical Systems Inc.	1.4
Aflac Inc.	1.4
QUALCOMM Inc.	1.4
Hewlett-Packard Co.	1.4
Public Service Enterprise Group	1.3
Barclays Plc.	1.2
Top 25 Holdings	43.9

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2015 FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2015 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$7.0 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 7.5%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then,

yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

All of the fund's fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North Long Inflation-linked Bond Fund and the Phillips, Hager & North Bond Fund.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. The Fund's equity holdings all had a positive impact on returns, led by the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period		
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital			
Series D													
June 30, 2014	10.65	0.09	(0.05)	0.05	0.69	0.78	–	–	–	–	–	11.45	
Dec. 31, 2013	10.62	0.31	(0.11)	0.27	0.03	0.50	(0.12)	(0.06)	(0.31)	–	(0.49)	10.65	
Dec. 31, 2012	10.19	0.40	(0.10)	0.30	0.13	0.73	(0.10)	(0.07)	(0.19)	–	(0.36)	10.62	
Dec. 31, 2011 ³	10.28 [†]	0.15	(0.05)	0.06	0.04	0.20	(0.12)	(0.07)	(0.21)	–	(0.40)	10.19	
Series O													
June 30, 2014	10.63	0.09	–	0.05	0.69	0.83	–	–	–	–	–	11.47	
Dec. 31, 2013	10.58	0.31	(0.01)	0.27	0.03	0.60	(0.18)	(0.09)	(0.31)	–	(0.58)	10.63	
Dec. 31, 2012	10.15	0.46	(0.01)	0.35	0.15	0.95	(0.15)	(0.11)	(0.19)	–	(0.45)	10.58	
Dec. 31, 2011 ⁴	10.00 [†]	0.39	(0.01)	0.17	0.11	0.66	(0.18)	(0.10)	(0.21)	–	(0.49)	10.15	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2014	11.45	4 675	408	0.96	1.00	42.14	0.10
Dec. 31, 2013	10.65	3 522	331	0.96	1.02	31.53	0.09
Dec. 31, 2012	10.61	2 073	195	0.94	1.16	17.70	0.12
Dec. 31, 2011 ⁴	10.19	212	21	0.98	1.77	11.83	0.17
Series O							
June 30, 2014	11.47	2 324	203	0.09	0.13	42.14	0.10
Dec. 31, 2013	10.63	1 838	173	0.09	0.15	31.53	0.09
Dec. 31, 2012	10.57	1 024	97	0.09	0.31	17.70	0.12
Dec. 31, 2011 ⁵	10.15	386	38	0.09	0.88	11.83	0.17

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.80%	31%	69%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

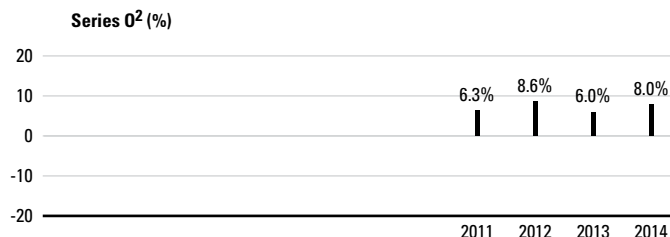
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date June 2011.

² Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Bonds	56.9
U.S. Equities	15.8
Overseas Equities	11.8
Canadian Equities	10.3
Mortgages	0.1
Cash/Other	5.1

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Bond Fund	24.1
Phillips, Hager & North Long Inflation-linked Bond Fund	15.2
Phillips, Hager & North Short Inflation-linked Bond Fund	15.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	12.2
RBC International Equity Fund	6.2
Phillips, Hager & North Overseas Equity Fund	6.0
Phillips, Hager & North High Yield Bond Fund	6.0
Phillips, Hager & North Canadian Equity Value Fund	5.3
Phillips, Hager & North Canadian Equity Underlying Fund	5.3
Vanguard Real Estate Investment Trust Fund	3.7
Cash & Cash Equivalents	0.5
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2020 FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2020 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$11.7 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 8.7%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then,

yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

All of the fund's fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North Long Inflation-linked Bond Fund and the Phillips, Hager & North Bond Fund.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. The Fund's equity holdings all had a positive impact on returns, led by the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2014	10.98	0.07	(0.06)	0.06	0.86	0.93	–	–	–	–	–	11.93
Dec. 31, 2013	10.93	0.28	(0.11)	0.30	0.02	0.49	(0.08)	(0.07)	(0.31)	–	(0.46)	10.98
Dec. 31, 2012	10.41	0.39	(0.11)	0.31	0.24	0.83	(0.07)	(0.07)	(0.17)	–	(0.31)	10.93
Dec. 31, 2011 ³	10.31 [†]	0.14	(0.05)	0.05	0.08	0.22	(0.10)	(0.07)	(0.15)	–	(0.32)	10.41
Series O												
June 30, 2014	10.93	0.07	–	0.06	0.86	0.99	–	–	–	–	–	11.93
Dec. 31, 2013	10.87	0.28	(0.01)	0.30	0.02	0.59	(0.14)	(0.11)	(0.31)	–	(0.56)	10.93
Dec. 31, 2012	10.35	0.42	(0.01)	0.34	0.26	1.01	(0.12)	(0.13)	(0.17)	–	(0.42)	10.87
Dec. 31, 2011 ⁴	10.00 [†]	0.51	(0.01)	0.19	0.29	0.98	(0.17)	(0.11)	(0.15)	–	(0.43)	10.35

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2014	11.93	6 980	585	1.02	1.04	18.98	0.12
Dec. 31, 2013	10.98	5 711	520	1.02	1.06	18.66	0.10
Dec. 31, 2012	10.93	3 104	284	1.05	1.20	8.51	0.13
Dec. 31, 2011 ⁴	10.41	504	48	1.06	1.50	32.24	0.18
Series O							
June 30, 2014	11.93	4 705	395	0.09	0.11	18.98	0.12
Dec. 31, 2013	10.93	3 286	301	0.08	0.12	18.66	0.10
Dec. 31, 2012	10.87	1 848	170	0.09	0.23	8.51	0.13
Dec. 31, 2011 ⁵	10.35	721	70	0.09	0.53	32.24	0.18

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.85%	29%	71%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date June 2011.

² Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Bonds	49.4
U.S. Equities	19.6
Overseas Equities	14.0
Canadian Equities	12.5
Mortgages	0.1
Cash/Other	4.4

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-linked Bond Fund	28.6
Phillips, Hager & North Bond Fund	15.4
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	14.7
RBC International Equity Fund	7.3
Phillips, Hager & North Overseas Equity Fund	7.2
Phillips, Hager & North Canadian Equity Underlying Fund	6.5
Phillips, Hager & North Canadian Equity Value Fund	6.5
Phillips, Hager & North High Yield Bond Fund	5.1
Vanguard Real Estate Investment Trust Fund	4.9
Phillips, Hager & North Short Inflation-linked Bond Fund	2.5
Cash & Cash Equivalents	0.9
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2025 FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2025 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$12.5 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 9.6%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then,

yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

All of the fund's fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North Long Inflation-linked Bond Fund and the Phillips, Hager & North High Yield Bond Fund.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed markets during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. The Fund's equity holdings all had a positive impact on returns, led by the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period		
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital			
Series D													
June 30, 2014	10.96	0.05	(0.06)	0.06	0.96	1.01	–	–	–	–	–	12.01	
Dec. 31, 2013	11.02	0.28	(0.12)	0.33	(0.09)	0.40	(0.08)	(0.06)	(0.33)	–	(0.47)	10.96	
Dec. 31, 2012	10.44	0.34	(0.11)	0.27	0.33	0.83	(0.06)	(0.06)	(0.18)	–	(0.30)	11.02	
Dec. 31, 2011 ³	10.31 [†]	0.14	(0.05)	0.09	0.11	0.29	(0.08)	(0.06)	(0.15)	–	(0.29)	10.44	
Series O													
June 30, 2014	10.90	0.05	–	0.06	0.96	1.07	–	–	–	–	–	12.00	
Dec. 31, 2013	10.96	0.27	(0.01)	0.33	(0.09)	0.50	(0.15)	(0.10)	(0.33)	–	(0.58)	10.90	
Dec. 31, 2012	10.38	0.35	(0.01)	0.28	0.35	0.97	(0.11)	(0.12)	(0.18)	–	(0.41)	10.96	
Dec. 31, 2011 ⁴	10.00 [†]	0.44	(0.01)	0.28	0.35	1.06	(0.15)	(0.10)	(0.15)	–	(0.40)	10.38	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2014	12.01	4 691	390	1.08	1.10	18.98	0.12
Dec. 31, 2013	10.96	3 339	305	1.06	1.10	19.24	0.10
Dec. 31, 2012	11.02	2 380	216	1.04	1.16	8.73	0.13
Dec. 31, 2011 ⁴	10.44	383	37	1.08	1.48	26.17	0.19
Series O							
June 30, 2014	12.00	7 800	650	0.09	0.11	18.98	0.12
Dec. 31, 2013	10.90	5 821	534	0.09	0.13	19.24	0.10
Dec. 31, 2012	10.96	2 818	257	0.09	0.20	8.73	0.13
Dec. 31, 2011 ⁵	10.39	1 104	106	0.09	0.49	26.17	0.19

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.90%	28%	72%

Series 0 – no management fees are paid by the Fund in respect of Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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

**Series 0² (%)**

¹ Inception date June 2011.

² Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Bonds	49.5
U.S. Equities	20.3
Overseas Equities	14.5
Canadian Equities	12.9
Cash/Other	2.8

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-linked Bond Fund	40.3
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	15.4
RBC International Equity Fund	7.6
Phillips, Hager & North Overseas Equity Fund	7.5
Phillips, Hager & North High Yield Bond Fund	7.3
Phillips, Hager & North Canadian Equity Value Fund	6.7
Phillips, Hager & North Canadian Equity Underlying Fund	6.7
Vanguard Real Estate Investment Trust Fund	4.9
Phillips, Hager & North Bond Fund	2.4
Cash & Cash Equivalents	0.8
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2030 FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2030 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$11.4 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 9.5%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then,

yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

Both of the portfolio's fixed-income holdings delivered positive results, with the Phillips, Hager & North Long Inflation-linked Bond Fund having the largest impact on performance.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. The Fund's equity holdings all had a positive impact on returns, led by the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund and the Phillips, Hager & North Canadian Equity Underlying Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period		
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital			
Series D													
June 30, 2014	10.93	0.05	(0.06)	0.06	0.95	1.00	–	–	–	–	–	11.96	
Dec. 31, 2013	10.87	0.30	(0.13)	0.35	0.02	0.54	(0.21)	(0.12)	(0.13)	–	(0.46)	10.93	
Dec. 31, 2012	10.30	0.36	(0.12)	0.34	0.26	0.84	(0.05)	(0.07)	(0.22)	–	(0.34)	10.87	
Dec. 31, 2011 ³	10.29 [†]	0.15	(0.06)	0.07	0.08	0.24	(0.08)	(0.06)	(0.18)	–	(0.32)	10.30	
Series O													
June 30, 2014	10.87	0.05	–	0.06	0.95	1.06	–	–	–	–	–	11.95	
Dec. 31, 2013	10.81	0.30	(0.01)	0.34	0.02	0.65	(0.27)	(0.17)	(0.13)	–	(0.57)	10.87	
Dec. 31, 2012	10.24	0.42	(0.01)	0.39	0.30	1.10	(0.11)	(0.12)	(0.22)	–	(0.45)	10.81	
Dec. 31, 2011 ⁴	10.00 [†]	0.37	(0.01)	0.17	0.20	0.73	(0.14)	(0.11)	(0.18)	–	(0.43)	10.24	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2014	11.96	2 805	235	1.12	1.14	14.56	0.13
Dec. 31, 2013	10.93	2 296	210	1.14	1.18	19.49	0.11
Dec. 31, 2012	10.87	1 113	102	1.14	1.32	20.73	0.14
Dec. 31, 2011 ⁴	10.30	58	6	1.16	1.72	25.67	0.19
Series O							
June 30, 2014	11.95	8 617	721	0.10	0.12	14.56	0.13
Dec. 31, 2013	10.87	6 180	569	0.09	0.13	19.49	0.11
Dec. 31, 2012	10.81	2 710	250	0.09	0.27	20.73	0.14
Dec. 31, 2011 ⁵	10.24	955	93	0.09	0.65	25.67	0.19

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.95%	26%	74%

Series 0 – no management fees are paid by the Fund in respect of Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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

**Series 0² (%)**

¹ Inception date June 2011.

² Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Bonds	47.9
U.S. Equities	20.8
Overseas Equities	15.2
Canadian Equities	13.6
Cash/Other	2.5

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-linked Bond Fund	38.9
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	16.0
Phillips, Hager & North High Yield Bond Fund	9.4
RBC International Equity Fund	8.0
Phillips, Hager & North Overseas Equity Fund	7.8
Phillips, Hager & North Canadian Equity Value Fund	7.0
Phillips, Hager & North Canadian Equity Underlying Fund	7.0
Vanguard Real Estate Investment Trust Fund	4.9
Cash & Cash Equivalents	0.6
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2035 FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2035 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$14.6 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 9.1%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then,

yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

Both of the portfolio's fixed-income holdings delivered positive results, with the Phillips, Hager & North Long Inflation-linked Bond Fund having the largest impact on performance.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. The Fund's equity holdings all had a positive impact on returns, led by the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund and the Phillips, Hager & North Canadian Equity Underlying Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2014	11.19	0.05	(0.07)	0.10	0.91	0.99	–	–	–	–	–	12.21
Dec. 31, 2013	10.84	0.30	(0.13)	0.39	0.30	0.86	(0.08)	(0.07)	(0.34)	–	(0.49)	11.19
Dec. 31, 2012	10.20	0.39	(0.13)	0.33	0.29	0.88	(0.05)	(0.07)	(0.18)	–	(0.30)	10.84
Dec. 31, 2011 ³	10.25 [†]	0.15	(0.06)	0.07	(0.02)	0.14	(0.08)	(0.06)	(0.13)	–	(0.27)	10.20
Series O												
June 30, 2014	11.13	0.05	–	0.10	0.91	1.06	–	–	–	–	–	12.20
Dec. 31, 2013	10.77	0.29	(0.01)	0.38	0.30	0.96	(0.15)	(0.12)	(0.34)	–	(0.61)	11.13
Dec. 31, 2012	10.14	0.48	(0.01)	0.41	0.36	1.24	(0.09)	(0.15)	(0.18)	–	(0.42)	10.77
Dec. 31, 2011 ⁴	10.00 [†]	0.37	(0.01)	0.17	(0.06)	0.47	(0.14)	(0.12)	(0.13)	–	(0.39)	10.14

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2014	12.21	3 584	294	1.19	1.21	16.92	0.14
Dec. 31, 2013	11.19	3 222	288	1.20	1.23	17.15	0.13
Dec. 31, 2012	10.84	2 147	198	1.23	1.38	7.97	0.16
Dec. 31, 2011 ⁴	10.20	112	11	1.24	1.88	10.15	0.23
Series O							
June 30, 2014	12.20	11 060	906	0.09	0.11	16.92	0.14
Dec. 31, 2013	11.13	7 689	691	0.09	0.12	17.15	0.13
Dec. 31, 2012	10.78	3 196	296	0.09	0.24	7.97	0.16
Dec. 31, 2011 ⁵	10.14	775	76	0.09	0.73	10.15	0.23

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	1.00%	25%	75%

Series 0 – no management fees are paid by the Fund in respect of Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

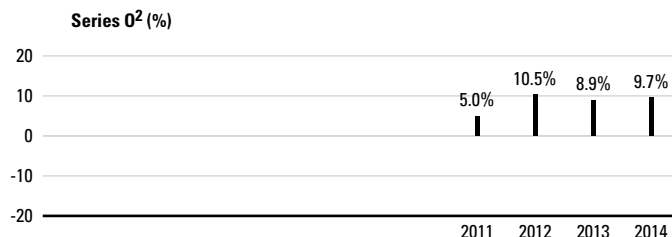
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date June 2011.

² Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Bonds	42.1
U.S. Equities	22.7
Overseas Equities	17.1
Canadian Equities	15.4
Cash/Other	2.7

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-linked Bond Fund	34.2
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	18.1
RBC International Equity Fund	8.9
Phillips, Hager & North Overseas Equity Fund	8.9
Phillips, Hager & North High Yield Bond Fund	8.3
Phillips, Hager & North Canadian Equity Value Fund	8.0
Phillips, Hager & North Canadian Equity Underlying Fund	8.0
Vanguard Real Estate Investment Trust Fund	4.7
Cash & Cash Equivalents	0.5
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2040 FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2040 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds (“ETFs”), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund’s net asset value was \$12.9 million as of June 30, 2014.

Over the past six months, the Fund’s Series D units returned 8.8%. The Fund’s return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year’s significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the “Fed”) was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then,

yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

Both of the portfolio’s fixed-income holdings delivered positive results, with the Phillips, Hager & North Long Inflation-linked Bond Fund having the largest impact on performance.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada’s S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. The Fund’s equity holdings all had a positive impact on returns, led by the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund and the Phillips, Hager & North Canadian Equity Underlying Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market’s next move higher.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund’s day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2014	11.29	0.05	(0.07)	0.13	0.86	0.97	–	–	–	–	–	12.28
Dec. 31, 2013	10.60	0.30	(0.14)	0.45	0.61	1.22	(0.08)	(0.06)	(0.36)	–	(0.50)	11.29
Dec. 31, 2012	9.91	0.35	(0.13)	0.34	0.47	1.03	(0.03)	(0.06)	(0.22)	–	(0.31)	10.60
Dec. 31, 2011 ³	10.18 [†]	0.13	(0.06)	0.05	(0.18)	(0.06)	(0.05)	(0.06)	(0.10)	–	(0.21)	9.91
Series O												
June 30, 2014	11.22	0.05	–	0.13	0.85	1.03	–	–	–	–	–	12.27
Dec. 31, 2013	10.53	0.30	(0.01)	0.45	0.61	1.35	(0.14)	(0.13)	(0.36)	–	(0.63)	11.22
Dec. 31, 2012	9.85	0.36	(0.01)	0.34	0.47	1.16	(0.07)	(0.14)	(0.22)	–	(0.43)	10.53
Dec. 31, 2011 ⁴	10.00 [†]	0.32	(0.01)	0.12	(0.44)	(0.01)	(0.10)	(0.13)	(0.10)	–	(0.33)	9.85

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2014	12.28	1 664	136	1.26	1.28	17.57	0.16
Dec. 31, 2013	11.29	1 232	109	1.25	1.29	17.69	0.14
Dec. 31, 2012	10.60	501	47	1.25	1.41	12.56	0.19
Dec. 31, 2011 ⁴	9.90	117	12	1.28	1.69	13.87	0.28
Series O							
June 30, 2014	12.27	11 253	917	0.10	0.12	17.57	0.16
Dec. 31, 2013	11.22	8 177	729	0.09	0.13	17.69	0.14
Dec. 31, 2012	10.53	3 320	315	0.09	0.26	12.56	0.19
Dec. 31, 2011 ⁵	9.84	1 203	122	0.10	0.50	13.87	0.28

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	1.05%	24%	76%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



¹ Inception date June 2011.

² Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Bonds	36.1
U.S. Equities	24.8
Overseas Equities	19.1
Canadian Equities	17.2
Cash/Other	2.8

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-linked Bond Fund	29.3
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	20.2
RBC International Equity Fund	10.0
Phillips, Hager & North Overseas Equity Fund	9.9
Phillips, Hager & North Canadian Equity Value Fund	8.9
Phillips, Hager & North Canadian Equity Underlying Fund	8.9
Phillips, Hager & North High Yield Bond Fund	7.1
Vanguard Real Estate Investment Trust Fund	4.7
Cash & Cash Equivalents	0.6
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2045 FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2045 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$22.7 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 8.2%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then,

yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes.

Both of the portfolio's fixed-income holdings delivered positive results, with the Phillips, Hager & North Long Inflation-linked Bond Fund having the largest impact on performance.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. The Fund's equity holdings all had a positive impact on returns, led by the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund and the Phillips, Hager & North Canadian Equity Underlying Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2014	11.59	0.05	(0.08)	0.11	0.83	0.91	–	–	–	–	–	12.54
Dec. 31, 2013	10.50	0.34	(0.15)	0.59	0.98	1.76	(0.07)	(0.07)	(0.40)	–	(0.54)	11.59
Dec. 31, 2012	9.74	0.59	(0.13)	0.63	0.38	1.47	(0.02)	(0.06)	(0.22)	–	(0.30)	10.50
Dec. 31, 2011 ³	10.14 [†]	0.13	(0.06)	0.03	(0.20)	(0.10)	(0.04)	(0.08)	(0.08)	–	(0.20)	9.74
Series O												
June 30, 2014	11.53	0.05	–	0.11	0.83	0.99	–	–	–	–	–	12.55
Dec. 31, 2013	10.43	0.33	(0.01)	0.57	0.95	1.84	(0.13)	(0.14)	(0.40)	–	(0.67)	11.53
Dec. 31, 2012	9.69	0.47	(0.01)	0.50	0.30	1.26	(0.04)	(0.17)	(0.22)	–	(0.43)	10.43
Dec. 31, 2011 ⁴	10.00 [†]	0.32	(0.01)	0.07	(0.50)	(0.12)	(0.08)	(0.16)	(0.08)	–	(0.32)	9.69

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2014	12.54	1 938	155	1.31	1.32	15.82	0.19
Dec. 31, 2013	11.59	1 468	127	1.32	1.35	16.98	0.17
Dec. 31, 2012	10.50	425	41	1.26	1.47	10.86	—
Dec. 31, 2011 ⁴	9.74	122	13	1.33	2.10	17.32	0.31
Series O							
June 30, 2014	12.55	20 740	1 653	0.10	0.11	15.82	0.19
Dec. 31, 2013	11.53	13 875	1 203	0.10	0.13	16.98	0.17
Dec. 31, 2012	10.43	3 874	370	0.10	0.31	10.86	—
Dec. 31, 2011 ⁵	9.69	537	55	0.10	0.87	17.32	0.31

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	1.10%	23%	77%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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

**Series O² (%)**

¹ Inception date June 2011.

² Inception date January 2011.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
U.S. Equities	29.1
Bonds	23.9
Overseas Equities	23.1
Canadian Equities	20.8
Cash/Other	3.1

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	24.5
Phillips, Hager & North Long Inflation-linked Bond Fund	19.4
RBC International Equity Fund	12.0
Phillips, Hager & North Overseas Equity Fund	12.0
Phillips, Hager & North Canadian Equity Value Fund	10.8
Phillips, Hager & North Canadian Equity Underlying Fund	10.7
Phillips, Hager & North High Yield Bond Fund	4.7
Vanguard Real Estate Investment Trust Fund	4.7
Cash & Cash Equivalents	0.8
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

BALANCED FUND

BONAVISTA GLOBAL BALANCED FUND*June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks 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. To achieve the Fund's fundamental investment objectives, we invest primarily in common stocks of high-quality companies, bonds of the Canadian government, provincial government, and high-quality Canadian corporations and money market securities including asset backed commercial paper.

Results of Operations

The Fund's net asset value was \$4.5 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 7.2%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

During the reporting period, the Fund had solid performance. The Fund held an overweight position in Canadian, U.S. and International equities over the reporting period. Despite the Canadian equity allocation's underperformance versus its benchmark, the Fund's returns were helped by the outperformance of the Canadian stock market versus the U.S. and international markets, as the Fund has a higher allocation to Canadian equities.

The U.S. and international equity allocations and the bond allocation all contributed to the Fund's overall outperformance. Given the underweight position in Canadian bonds, strong bond performance hurt relative performance as the bond allocation outperformed both the U.S. and international equity allocations during the period. For most of the first half of 2014, the Fund's performance was negatively impacted by the decline of the Canadian dollar versus the U.S. dollar; however, during the last several weeks of the period, the Canadian dollar strengthened, resulting in a minimal net impact over the reporting period.

In the Canadian equity portion of the portfolio, the portfolio manager added new positions in Loblaw and Trilog Energy.

Recent Developments

Across the globe, bond yields moved lower during the first half of 2014. This strong move in bond prices was accompanied by a tightening of credit spreads. The trend of lower bond yields was counter to the portfolio manager's expectations at the outset of the year. During the reporting period, the U.S. Federal Reserve continued to taper its bond-buying program. Despite the tapering, U.S. (and global) bond prices had

a strong first half of 2014; however, over the medium term, the portfolio manager continues to expect the U.S. and global economies to recover, with an associated trend of higher bond rates.

The portfolio manager believes that despite the higher valuation levels in the stock market and the recent strength in the bond market, equities remain attractive in comparison to fixed-income investments. The Fund's asset mix favours stocks, with an overweight position in Canadian, U.S. and international equities and an underweight position in Canadian bonds. The portfolio manager believes the Fund is well-positioned to benefit once the longer-term trend of rising rates resumes. Within the Canadian equity portion of the Fund, the portfolio manager believes the companies the Fund holds are able to deal with a higher interest rate environment, as well as ongoing economic expansion. Within the Canadian fixed-income portion of the Fund, the portfolio manager has maintained a defensive structure that seeks to avoid risk and provide a stabilizing influence on the Fund.

Related-Party Transactions***Manager and Portfolio Advisor***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. The former principal portfolio advisor of the Fund, BonaVista Asset Management Ltd., amalgamated with its parent company, RBC GAM, effective November 1, 2013. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series C, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. There were no related-party commissions.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	12.45	0.13	(0.15)	0.15	0.65	0.78	(0.02)	–	–	–	(0.02)	13.25
Dec. 31, 2013	10.94	0.34	(0.28)	0.18	1.35	1.59	–	(0.07)	–	–	(0.07)	12.45
Dec. 31, 2012	10.12	0.28	(0.26)	0.03	0.80	0.85	(0.01)	(0.04)	–	–	(0.05)	10.94
Dec. 31, 2011	11.04	0.29	(0.25)	0.04	(1.00)	(0.92)	–	(0.08)	–	–	(0.08)	10.12
Dec. 31, 2010	10.26	0.28	(0.23)	0.14	0.62	0.81	(0.01)	(0.04)	–	–	(0.05)	11.04
Dec. 31, 2009	8.52	0.29	(0.21)	(0.03)	2.17	2.22	(0.03)	(0.05)	–	–	(0.08)	10.26
Advisor Series												
June 30, 2014	12.46	0.13	(0.15)	0.15	0.65	0.78	(0.02)	–	–	–	(0.02)	13.25
Dec. 31, 2013	10.94	0.34	(0.28)	0.18	1.35	1.59	–	(0.07)	–	–	(0.07)	12.45
Dec. 31, 2012	10.12	0.28	(0.26)	0.03	0.80	0.85	(0.01)	(0.04)	–	–	(0.05)	10.94
Dec. 31, 2011	11.04	0.29	(0.25)	0.04	(1.00)	(0.92)	–	(0.08)	–	–	(0.08)	10.12
Dec. 31, 2010 ³	10.75 [†]	0.05	(0.04)	0.02	0.24	0.27	(0.01)	(0.02)	–	–	(0.03)	11.04
Series D												
June 30, 2014	12.37	0.13	(0.08)	0.15	0.66	0.86	(0.08)	–	–	–	(0.08)	13.18
Dec. 31, 2013	10.87	0.33	(0.15)	0.18	1.32	1.68	(0.01)	(0.18)	–	–	(0.19)	12.37
Dec. 31, 2012	10.05	0.29	(0.14)	0.03	0.82	1.00	(0.02)	(0.15)	–	–	(0.17)	10.87
Dec. 31, 2011	10.97	0.30	(0.13)	0.05	(1.04)	(0.82)	–	(0.19)	–	–	(0.19)	10.05
Dec. 31, 2010	10.17	0.28	(0.13)	0.14	0.61	0.90	(0.04)	(0.11)	–	–	(0.15)	10.97
Dec. 31, 2009	8.44	0.29	(0.11)	(0.03)	1.70	1.85	(0.07)	(0.10)	–	–	(0.17)	10.17
Series F												
June 30, 2014	12.60	0.14	(0.06)	0.16	0.68	0.92	(0.09)	–	–	–	(0.09)	13.43
Dec. 31, 2013	11.03	0.33	(0.12)	0.18	1.32	1.71	(0.01)	(0.21)	–	–	(0.22)	12.59
Dec. 31, 2012	10.09	0.30	(0.09)	0.03	0.83	1.07	(0.02)	(0.18)	–	–	(0.20)	11.03
Dec. 31, 2011	10.97	0.31	(0.08)	0.05	(1.06)	(0.78)	–	(0.21)	–	–	(0.21)	10.09
Dec. 31, 2010	10.16	0.27	(0.07)	0.13	0.60	0.93	(0.06)	(0.13)	–	–	(0.19)	10.97
Dec. 31, 2009	8.43	0.29	(0.09)	(0.03)	1.76	1.93	(0.09)	(0.11)	–	–	(0.20)	10.16
Series O												
June 30, 2014	12.12	0.13	(0.01)	0.15	0.65	0.92	(0.14)	–	–	–	(0.14)	12.91
Dec. 31, 2013	10.63	0.31	(0.02)	0.17	1.24	1.70	(0.01)	(0.29)	–	–	(0.30)	12.11
Dec. 31, 2012	9.82	0.28	(0.02)	0.03	0.80	1.09	(0.03)	(0.24)	–	–	(0.27)	10.63
Dec. 31, 2011	10.72	0.31	(0.02)	0.05	(1.08)	(0.74)	–	(0.30)	–	–	(0.30)	9.82
Dec. 31, 2010	9.96	0.27	(0.02)	0.13	0.59	0.97	(0.08)	(0.19)	–	–	(0.27)	10.72
Dec. 31, 2009	8.28	0.28	(0.01)	(0.03)	1.72	1.96	(0.12)	(0.16)	–	–	(0.28)	9.96

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	13.25	176	13	2.34	2.40	85.71	0.10
Dec. 31, 2013	12.45	104	8	2.47	2.47	70.07	0.08
Dec. 31, 2012	10.95	27	2	2.46	2.46	42.34	0.08
Dec. 31, 2011	10.13	126	12	2.33	2.33	62.39	0.08
Dec. 31, 2010	11.06	363	33	2.26	2.26	61.74	0.06
Dec. 31, 2009	10.27	182	18	2.28 ⁴	3.41	62.99	0.09
Advisor Series							
June 30, 2014	13.25	44	3	2.35	2.41	85.71	0.10
Dec. 31, 2013	12.46	13	1	2.47	2.47	70.07	0.08
Dec. 31, 2012	10.95	1	–	2.46	2.46	42.34	0.08
Dec. 31, 2011	10.13	1	–	2.33	2.33	62.39	0.08
Dec. 31, 2010 ⁵	11.06	–	–	2.26	2.26	61.74	0.06
Series D							
June 30, 2014	13.18	3 977	302	1.22	1.28	85.71	0.10
Dec. 31, 2013	12.37	3 001	243	1.31	1.31	70.07	0.08
Dec. 31, 2012	10.88	2 617	241	1.33	1.33	42.34	0.08
Dec. 31, 2011	10.06	3 160	314	1.31	1.31	62.39	0.08
Dec. 31, 2010	10.98	4 660	424	1.35	1.35	61.74	0.06
Dec. 31, 2009	10.19	4 674	459	1.23 ⁴	2.03	62.99	0.09
Series F							
June 30, 2014	13.43	17	1	0.91	0.97	85.71	0.10
Dec. 31, 2013	12.60	16	1	0.99	0.99	70.07	0.08
Dec. 31, 2012	11.05	1	–	0.90	0.90	42.34	0.08
Dec. 31, 2011	10.10	–	–	0.96	0.96	62.39	0.08
Dec. 31, 2010	10.99	1	–	0.98	0.98	61.74	0.06
Dec. 31, 2009	10.17	1	–	0.93 ⁴	58.92	62.99	0.09
Series O							
June 30, 2014	12.91	273	21	0.12	0.18	85.71	0.10
Dec. 31, 2013	12.12	266	22	0.21	0.21	70.07	0.08
Dec. 31, 2012	10.64	550	52	0.22	0.22	42.34	0.08
Dec. 31, 2011	9.84	739	75	0.18	0.18	62.39	0.08
Dec. 31, 2010	10.73	357	33	0.17	0.17	61.74	0.06
Dec. 31, 2009	9.97	571	57	0.18 ⁴	0.98	62.99	0.09

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 2.21%, Series D – 1.17%, Series F – 0.86%, Series O – 0.12%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	2.00%	50%	50%
Advisor Series	2.00%	50%	50%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

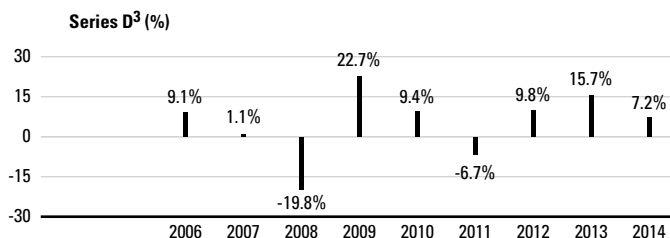
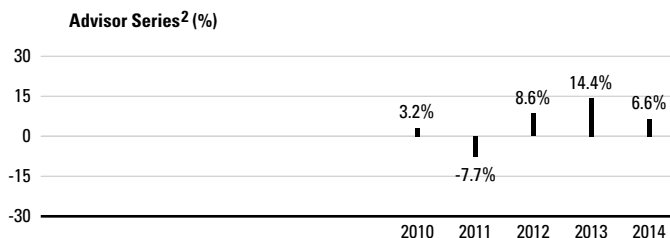
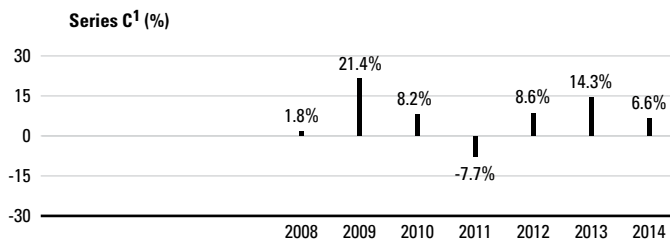
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

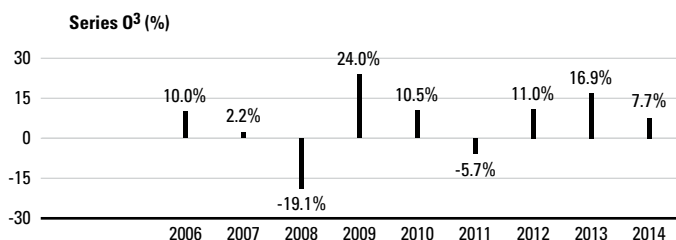
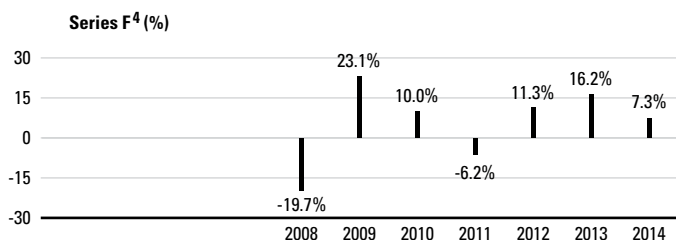
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date June 2006.

⁴ Inception date December 2007.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Canadian Equities	41.1
Bonds	30.1
U.S. Equities	13.9
Overseas Equities	12.9
Cash/Other	2.0

Top 25 Holdings

	% of Net Asset Value
Phillips, Hager & North Overseas Equity Fund	13.6
Government of Canada 2.500% Jun 1 24	4.3
Toronto-Dominion Bank	2.9
Suncor Energy Inc.	2.5
Bank of Nova Scotia	2.2
Canadian Imperial Bank of Commerce	2.2
Municipal Finance Authority of British Columbia 3.750% Sep 26 23	1.9
Bank of Montreal	1.8
Canadian Natural Resources Ltd.	1.7
Royal Bank of Canada	1.6
Canadian National Railway Co.	1.6
Government of Canada 1.500% Jun 1 23	1.6
Cash & Cash Equivalents	1.5
Government of Canada 1.500% Aug 1 15	1.5
Canada Housing Trust No. 1 1.950% Jun 15 19	1.5
Government of Canada 4.000% Jun 1 41	1.4
Manulife Financial Corporation	1.3
Province of Ontario 3.500% Jun 2 24	1.2
Magna International Inc., Class A	1.1
Laurentian Bank of Canada 3.278% Oct 15 18	1.0
Regional Municipality of York 4.050% May 1 34	1.0
Government of Canada 1.000% Aug 1 16	0.9
Gildan Activewear Inc., Class A	0.9
Home Capital Group Inc.	0.8
Open Text Corp.	0.8
Top 25 Holdings	52.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**BONAVISTA CANADIAN EQUITY
VALUE FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in common shares of large-capitalization, high-quality Canadian companies and income trusts. To achieve the Fund's investment objective, we invest in companies that we believe have a superior management team, a leadership position within their industry, a high level of profitability compared to their peers, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$19.1 million as of June 30, 2014.

Over the past six months, the Fund's Series D units returned 10.5%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

During the reporting period, the Fund underperformed its benchmark, the S&P/TSX Capped Composite Total Return Index, as a result of both stock selection and sector allocation. The Fund held overweight positions in the Consumer Discretionary, Industrials, Information Technology and Financials sectors, with underweight positions in Materials, Energy and Health Care. Within the Materials sector, the Fund favoured diversified metals companies while holding underweight positions in the gold and precious-metals sub-sector. The underweight positions in Energy and the gold sub-sector contributed to the Fund's underperformance.

Individual holdings that contributed positively to performance included Canadian Natural Resources, Magna International, Saputo and Suncor Energy. Holdings that negatively contributed to performance included Teck Resources, Quebecor and IGM Financial.

Trilogy Energy and Loblaw Companies were added to the Fund during the reporting period. The portfolio manager believes that Trilogy is an attractive investment opportunity; the company has a large asset base in the developing Duvernay resource play. Loblaw recently completed the acquisition of Shoppers Drug Mart, creating a strong Canadian retailer, with exposure to compelling demographic healthcare trends and with excellent retail locations across Canada. Although the structure of the portfolio did not change dramatically, during the period the portfolio manager added to the Fund's positions in CGI, Valeant and Element Financial and eliminated its positions in Alliance Grain Trader and Thomson Creek Mining.

Recent Developments

The Canadian stock market's performance was helped by the Energy sector, which was the leading sector in the S&P/TSX Capped Composite Total Return Index. This sector benefited from strong oil and natural gas prices as well as from a smaller discount for Canadian heavy oil. In addition, the Materials sector had a strong six months, led by the gold sub-sector. The high weighting of the Canadian market to Energy and Materials in combination with the strong performance of these sectors helped contribute to the Canadian stock market's outperformance in the period.

During the first six months of 2014, the U.S. Federal Reserve continued to taper its bond-buying program. Despite the tapering, bond prices had a strong first half of 2014; however, over the medium term, we continue to expect the U.S. and global economies to recover with an associated trend of higher bond rates. Although equity valuation levels have continued to climb, the portfolio manager finds the market to be reasonably priced given the outlook for continued global expansion.

The portfolio manager believes that the Fund is well-positioned to benefit when the bond market resumes the longer-term trend of higher interest rates, given low exposure to some major interest-rate-sensitive sectors including real estate investment trusts, pipelines and utilities. The portfolio manager does not foresee a significant change in strategy in the coming period as it continues to believe that the companies the Fund holds are well-positioned to deal with the ongoing economic expansion.

Related-Party Transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager and principal portfolio advisor of the Fund. The former principal portfolio advisor of the Fund, BonaVista Asset Management Ltd., amalgamated with its parent company, RBC GAM, effective November 1, 2013. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

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RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$1,000 (2013 – \$0), or 25% (2013 – 0%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series C												
June 30, 2014	13.21	0.17	(0.14)	(0.03)	1.34	1.34	—	—	—	—	—	14.54
Dec. 31, 2013	10.91	0.38	(0.24)	0.36	1.87	2.37	—	(0.10)	—	—	(0.10)	13.21
Dec. 31, 2012	9.71	0.29	(0.21)	0.22	1.00	1.30	—	(0.10)	—	—	(0.10)	10.91
Dec. 31, 2011	11.34	0.27	(0.21)	0.08	(1.76)	(1.62)	—	(0.02)	—	—	(0.02)	9.71
Dec. 31, 2010	9.94	0.22	(0.20)	0.03	1.35	1.40	—	—	—	—	—	11.34
Dec. 31, 2009	6.94	0.25	(0.19)	(0.16)	3.15	3.05	—	—	—	—	—	9.94
Advisor Series												
June 30, 2014	13.23	0.17	(0.13)	(0.03)	1.35	1.36	—	—	—	—	—	14.57
Dec. 31, 2013	10.91	0.27	(0.25)	0.25	1.33	1.60	—	(0.09)	—	—	(0.09)	13.22
Dec. 31, 2012	9.71	0.29	(0.21)	0.22	1.00	1.30	—	(0.10)	—	—	(0.10)	10.91
Dec. 31, 2011	11.34	0.27	(0.21)	0.08	(1.76)	(1.62)	—	(0.02)	—	—	(0.02)	9.71
Dec. 31, 2010 ³	10.57 [†]	0.04	(0.03)	0.01	0.23	0.25	—	—	—	—	—	11.34
Series D												
June 30, 2014	13.29	0.17	(0.08)	(0.03)	1.35	1.41	—	—	—	—	—	14.69
Dec. 31, 2013	10.98	0.38	(0.14)	0.36	1.89	2.49	—	(0.20)	—	—	(0.20)	13.29
Dec. 31, 2012	9.77	0.29	(0.13)	0.22	1.00	1.38	—	(0.18)	—	—	(0.18)	10.98
Dec. 31, 2011	11.41	0.27	(0.13)	0.08	(1.76)	(1.54)	—	(0.11)	—	—	(0.11)	9.77
Dec. 31, 2010	9.94	0.22	(0.12)	0.03	1.36	1.49	—	(0.02)	—	—	(0.02)	11.41
Dec. 31, 2009	6.90	0.21	(0.10)	(0.36)	3.24	2.99	—	(0.02)	—	—	(0.02)	9.94
Series F												
June 30, 2014	13.32	0.17	(0.06)	(0.03)	1.36	1.44	—	—	—	—	—	14.74
Dec. 31, 2013	11.00	0.39	(0.11)	0.37	1.91	2.56	—	(0.24)	—	—	(0.24)	13.31
Dec. 31, 2012	9.79	0.29	(0.10)	0.22	1.02	1.43	—	(0.22)	—	—	(0.22)	11.00
Dec. 31, 2011	11.42	0.27	(0.10)	0.08	(1.79)	(1.54)	—	(0.14)	—	—	(0.14)	9.79
Dec. 31, 2010	9.91	0.22	(0.06)	0.03	1.36	1.55	—	(0.06)	—	—	(0.06)	11.42
Dec. 31, 2009	6.88	0.21	(0.08)	(0.39)	3.33	3.07	—	(0.04)	—	—	(0.04)	9.91
Series O												
June 30, 2014	13.46	0.18	(0.01)	(0.03)	1.37	1.51	—	—	—	—	—	14.95
Dec. 31, 2013	11.12	0.39	(0.02)	0.37	1.92	2.66	—	(0.36)	—	—	(0.36)	13.45
Dec. 31, 2012	9.90	0.29	(0.01)	0.22	1.01	1.51	—	(0.32)	—	—	(0.32)	11.12
Dec. 31, 2011	11.56	0.27	(0.01)	0.08	(1.81)	(1.47)	—	(0.21)	—	—	(0.21)	9.90
Dec. 31, 2010	10.07	0.22	(0.01)	0.04	1.38	1.63	—	(0.15)	—	—	(0.15)	11.56
Dec. 31, 2009	7.00	0.22	(0.01)	(0.37)	3.07	2.91	—	(0.12)	—	—	(0.12)	10.07

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From October 2010.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series C							
June 30, 2014	14.54	161	11	2.01	2.02	10.41	0.04
Dec. 31, 2013	13.21	133	10	2.02	2.02	12.56	0.02
Dec. 31, 2012	10.93	118	11	2.04	2.04	4.02	0.06
Dec. 31, 2011	9.73	113	12	2.11	2.11	9.72	0.04
Dec. 31, 2010	11.36	140	12	2.01	2.01	7.46	0.02
Dec. 31, 2009	9.96	151	15	1.99 ⁴	4.18	33.37	0.06
Advisor Series							
June 30, 2014	14.57	1	–	2.01	2.02	10.41	0.04
Dec. 31, 2013	13.23	1	–	2.02	2.02	12.56	0.02
Dec. 31, 2012	10.93	1	–	2.04	2.04	4.02	0.06
Dec. 31, 2011	9.73	1	–	2.11	2.11	9.72	0.04
Dec. 31, 2010 ⁵	11.36	–	–	2.01	2.01	7.46	0.02
Series D							
June 30, 2014	14.69	7 914	539	1.19	1.20	10.41	0.04
Dec. 31, 2013	13.29	6 279	472	1.22	1.22	12.56	0.02
Dec. 31, 2012	11.00	5 750	523	1.25	1.25	4.02	0.06
Dec. 31, 2011	9.79	6 801	695	1.24	1.24	9.72	0.04
Dec. 31, 2010	11.43	10 600	927	1.21	1.21	7.46	0.02
Dec. 31, 2009	9.96	12 479	1 253	1.23 ⁴	1.47	33.37	0.06
Series F							
June 30, 2014	14.74	11	1	0.93	0.94	10.41	0.04
Dec. 31, 2013	13.32	10	1	0.91	0.91	12.56	0.02
Dec. 31, 2012	11.02	3	–	0.94	0.94	4.02	0.06
Dec. 31, 2011	9.80	3	–	0.95	0.95	9.72	0.04
Dec. 31, 2010	11.45	1	–	0.89	0.89	7.46	0.02
Dec. 31, 2009	9.93	1	–	0.94 ⁴	68.56	33.37	0.06
Series O							
June 30, 2014	14.95	11 011	736	0.12	0.13	10.41	0.04
Dec. 31, 2013	13.46	8 327	619	0.13	0.13	12.56	0.02
Dec. 31, 2012	11.14	6 233	560	0.14	0.14	4.02	0.06
Dec. 31, 2011	9.92	8 707	878	0.13	0.13	9.72	0.04
Dec. 31, 2010	11.58	10 801	933	0.12	0.12	7.46	0.02
Dec. 31, 2009	10.09	5 115	507	0.18 ⁴	0.38	33.37	0.06

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series C – 1.93%, Series D – 1.16%, Series F – 0.89%, Series O – 0.11%.

⁵ From October 2010.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio advisor of the Fund. Management fees paid by each series of the Fund are calculated up to the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series C	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

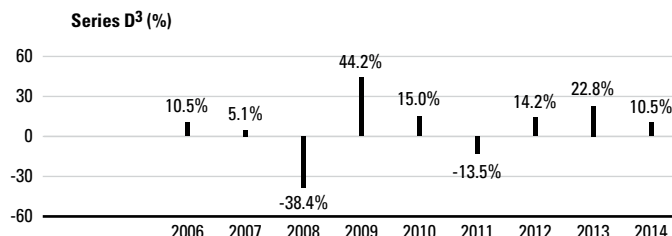
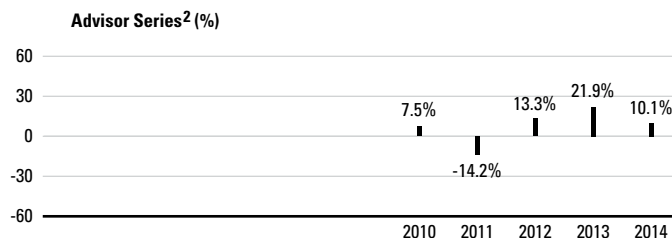
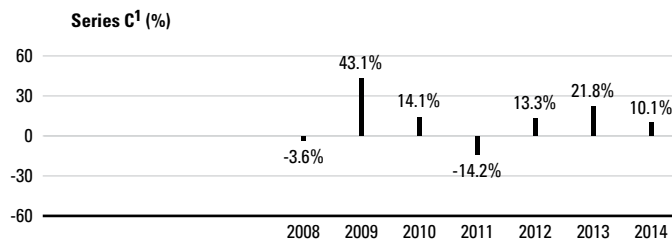
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

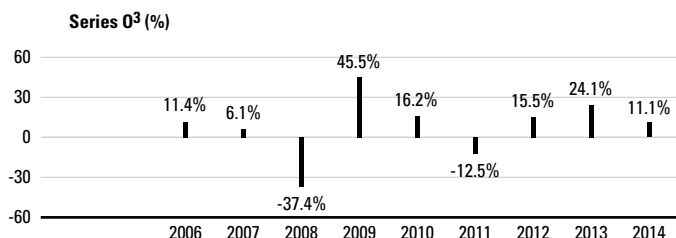
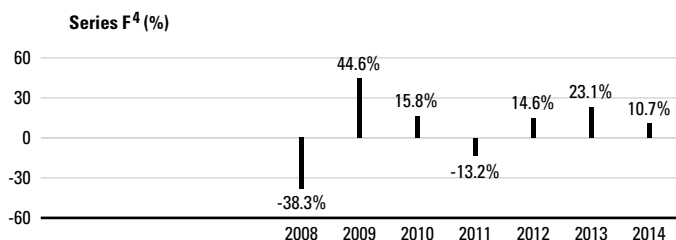
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

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



PAST PERFORMANCE (cont.)



¹ Inception date November 2008.

² Inception date October 2010.

³ Inception date June 2006.

⁴ Inception date December 2007.

Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	35.9
Energy	17.3
Industrials	11.6
Consumer Discretionary	8.8
Materials	8.4
Information Technology	5.0
Consumer Staples	4.0
Telecommunication Services	2.4
Health Care	0.8
Cash/Other	5.8

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	6.4
Suncor Energy Inc.	5.8
Cash & Cash Equivalents	5.6
Bank of Nova Scotia	5.5
Canadian Imperial Bank of Commerce	5.1
Bank of Montreal	4.2
Royal Bank of Canada	4.0
Canadian Natural Resources Ltd.	4.0
Canadian National Railway Co.	3.9
Magna International Inc., Class A	2.8
Manulife Financial Corporation	2.3
Home Capital Group Inc.	1.9
Gildan Activewear Inc., Class A	1.9
Open Text Corp.	1.9
Alimentation Couche-Tard Inc.	1.8
Teck Resources Ltd., Class B	1.8
Agrium Inc.	1.8
Mitel Networks Corp.	1.7
National Bank of Canada	1.7
Canadian Tire Corp. Ltd., Class A	1.6
Sun Life Financial Inc.	1.6
Saputo Group Inc.	1.5
Cenovus Energy Inc.	1.5
Canadian Pacific Railway Ltd.	1.5
Husky Energy Inc.	1.4
Top 25 Holdings	73.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.phn.com, or by emailing us at info@phn.com.

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

Linda S. Petch^{1,3}
Principal
Linda S. Petch Governance Services
Victoria, British Columbia

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President
Phénix Capital Inc.
Montreal, Quebec

Mary C. Ritchie^{2,3}
President
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

Head office:

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

For general mutual fund enquiries, write to:

RBC Global Asset Management Inc.
P.O. Box 7500, Station A
Toronto, Ontario
M5W 1P9



**RBC Global
Asset Management**