

PHILLIPS, HAGER & NORTH FUNDS

2017 Interim Management Report of Fund Performance

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CONTACT US

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MONEY MARKET FUND

**PHILLIPS, HAGER & NORTH
CANADIAN MONEY MARKET FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$1.4 billion as of June 30, 2017.

As of June 30, 2017, the current yields were 0.4% for Series A units, 0.4% for Series D units, 0.5% for Series F units, 0.9% for Series O units and 0.4% for Advisor Series units.

Over the past six months, the Fund's Series O units gained 0.47%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Bank of Canada (the "BOC") held its overnight target rate steady at 0.50% during the first half of 2017. However, economic growth began to accelerate, prompting the BOC to prepare for higher rates as the period came to a close. As a result, short-term yields on government bonds rose more than those on longer-term bonds.

Corporate issues offered sufficiently attractive yields that the portfolio manager bypassed treasury bills and instead allocated all of the Fund's assets to money-market investments including corporate notes, bank-sponsored asset-backed commercial paper, and bankers' acceptances. The portfolio had a small allocation to short-term floating-rate notes, whose payments change with interest rates. The portfolio manager kept the Fund's average maturity close to the 60-day maximum, aiding relative performance during the period.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies, have led to historically low interest rates globally. However, central banks are now leaning toward removing stimulus in response to a stronger global economy. The U.S. Federal Reserve is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects the BOC to boost its benchmark rate in the near term.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	10.00	0.05	(0.03)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2016	10.00	0.09	(0.05)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2015	10.00	0.10	(0.05)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2014	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	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
Advisor Series												
June 30, 2017	10.00	0.05	(0.03)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2016	10.00	0.09	(0.05)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2015	10.00	0.10	(0.05)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2014	10.00	0.12	(0.05)	–	–	0.07	(0.07)	–	–	–	(0.07)	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
Series D												
June 30, 2017	10.00	0.05	(0.03)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2016	10.00	0.09	(0.05)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2015	10.00	0.09	(0.05)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2014	10.00	0.12	(0.06)	–	–	0.06	(0.07)	–	–	–	(0.07)	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
Series F												
June 30, 2017	10.00	0.05	(0.02)	–	(0.01)	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2016	10.00	0.09	(0.05)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2015	10.00	0.10	(0.05)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2014	10.00	0.12	(0.05)	–	–	0.07	(0.08)	–	–	–	(0.08)	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
Series O												
June 30, 2017	10.00	0.05	–	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2016	10.00	0.09	–	–	–	0.09	(0.09)	–	–	–	(0.09)	10.00
Dec. 31, 2015	10.00	0.10	–	–	–	0.10	(0.10)	–	–	–	(0.10)	10.00
Dec. 31, 2014	10.00	0.12	–	–	–	0.12	(0.12)	–	–	–	(0.12)	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

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.

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 A							
June 30, 2017	10.00	4 700	470	0.54	0.54	n/a	—
Dec. 31, 2016	10.00	5 216	522	0.53	0.53	n/a	—
Dec. 31, 2015	10.00	6 575	658	0.54	0.54	n/a	—
Dec. 31, 2014	10.00	4 313	431	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	—
Advisor Series							
June 30, 2017	10.00	1 094	109	0.54	0.54	n/a	—
Dec. 31, 2016	10.00	1 433	143	0.53	0.53	n/a	—
Dec. 31, 2015	10.00	3 576	358	0.54	0.54	n/a	—
Dec. 31, 2014	10.00	3 327	333	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	—
Series D							
June 30, 2017	10.00	312 913	31 291	0.57	0.57	n/a	—
Dec. 31, 2016	10.00	248 646	24 865	0.55	0.55	n/a	—
Dec. 31, 2015	10.00	519 426	51 943	0.55	0.55	n/a	—
Dec. 31, 2014	10.00	271 683	27 168	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	—
Series F							
June 30, 2017	10.00	1 959	196	0.48	0.48	n/a	—
Dec. 31, 2016	10.00	2 706	271	0.48	0.48	n/a	—
Dec. 31, 2015	10.00	3 806	381	0.48	0.48	n/a	—
Dec. 31, 2014	10.00	5 237	524	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	—
Series O							
June 30, 2017	10.00	1 117 856	111 786	0.02	0.02	n/a	—
Dec. 31, 2016	10.00	1 002 984	100 298	0.02	0.02	n/a	—
Dec. 31, 2015	10.00	1 022 721	102 272	0.03	0.03	n/a	—
Dec. 31, 2014	10.00	980 168	98 017	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	—

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	0.65%	38%	62%
Advisor Series	0.65%	38%	62%
Series D	Note 1	23%	77%
Series F	0.40%	–	100%

Note 1 – 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 with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

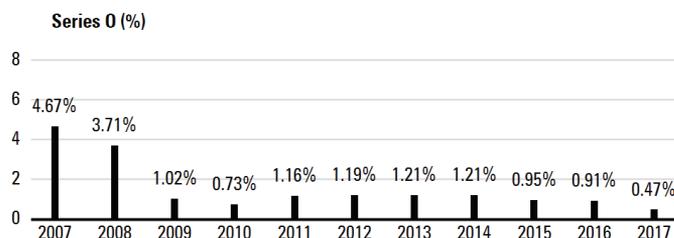
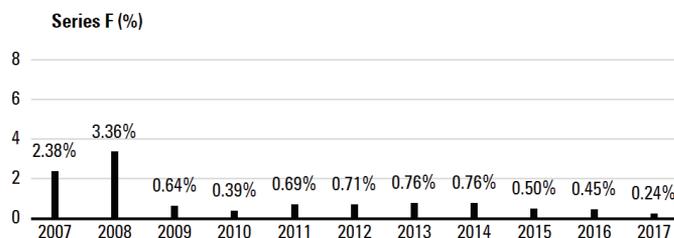
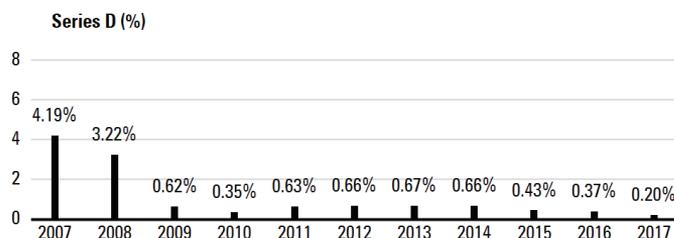
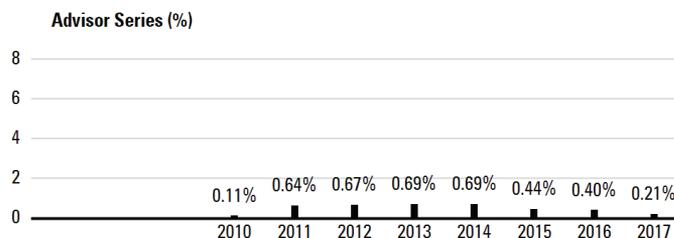
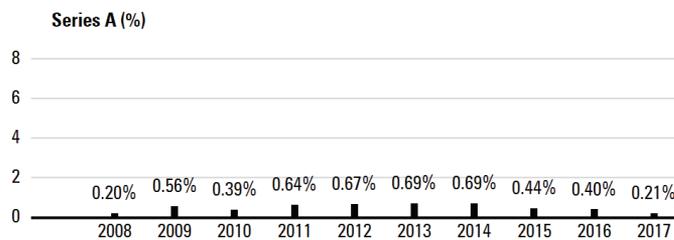
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Corporate Notes	100.0

Top 25 Holdings

	% of Net Asset Value
Bank of Montreal 0.705% Jul 12 2017	3.9
Toronto-Dominion Bank 0.811% Aug 29 2017	3.3
Nissan Canada Financial Services Inc. 0.833% Jul 19 2017	2.9
HSBC Bank Canada 0.808% Jul 5 2017	2.5
Husky Energy Inc. 0.931% Jul 18 2017	2.1
SAFE Trust - Series 1996-1 1.020% Nov 22 2017	1.8
SURE Trust 1.060% Jul 20 2017	1.8
King Street Funding Trust 0.961% Sep 8 2017	1.7
Canadian Master Trust - Series A 1.060% Aug 1 2017	1.7
Ridge Trust 0.816% Jul 13 2017	1.7
Bay Street Funding Trust - Class A 0.962% Aug 21 2017	1.6
Bank of Nova Scotia 1.050% Aug 16 2017	1.5
Merit Trust - Senior Notes 0.909% Aug 29 2017	1.4
King Street Funding Trust 0.962% Aug 21 2017	1.4
Canadian Imperial Bank of Commerce 0.919% Sep 18 2017	1.4
SOUND Trust 1.060% Aug 9 2017	1.4
Prime Trust - Senior Notes 0.959% Jul 6 2017	1.3
Enbridge Gas Distribution Inc. 0.964% Jul 25 2017	1.3
Canadian Utilities Ltd. 0.870% Aug 2 2017	1.3
Zeus Receivables Trust - Senior Notes 0.972% Jul 26 2017	1.3
Greater Toronto Airport Authority 0.764% Jul 17 2017	1.2
Banner Trust 1.051% Jul 6 2017	1.2
Zeus Receivables Trust - Senior Notes 0.958% Aug 2 2017	1.2
Banner Trust 1.040% Nov 14 2017	1.0
Canadian Master Trust - Series A 1.051% Dec 13 2017	1.0
Top 25 Holdings	42.9

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.rbcgam.com/funds, or by emailing us at info@phn.com.

MONEY MARKET FUND

**PHILLIPS, HAGER & NORTH
\$U.S. MONEY MARKET FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

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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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$50 million as of June 30, 2017.

As of June 30, 2017, the current yield was 1.0% for Series A units, 1.0% for Series D units, 1.1% for Series F units, 1.3% for Series O units and 1.0% for Advisor Series units.

Over the past six months, the Fund's Series O units gained 0.53%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The U.S. Federal Reserve (the "Fed") continued to raise its short-term interest-rate benchmark during the first half of 2017, on expectations of steady economic growth and a tight labour market. The rate ended the period between 1.0% and 1.25% after separate quarter-point increases in March and June.

The portfolio manager allocated all of the Fund's assets to money-market instruments paying higher yields than U.S. Treasury bills. The Fund's investments included U.S.-dollar-denominated corporate notes, bank-sponsored asset-backed commercial paper and bankers' acceptances. The Fund also had a small allocation to corporate short-term floating-rate notes, whose payments change with interest rates, and U.S.-dollar-denominated fixed- and floating-rate notes issued by Canadian provinces. With longer-maturity corporate notes continuing to provide attractive relative yields, the portfolio manager kept the overall maturity of the Fund at the longer end, aiding relative performance.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies, have led to historically low interest rates globally. However, central banks are now leaning toward removing stimulus in response to a stronger global economy. The Fed is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects the Bank of Canada to boost its benchmark rate in the near term.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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. MONEY MARKET FUND

Investment Management®

(IN U.S. DOLLARS)

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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	10.00	0.06	(0.01)	–	(0.01)	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2016	10.00	0.07	(0.02)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	–	–	0.01	(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
Advisor Series												
June 30, 2017	10.00	0.06	(0.01)	–	(0.01)	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2016	10.00	0.07	(0.02)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	–	–	0.01	(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
Series D												
June 30, 2017	10.00	0.06	(0.01)	–	(0.01)	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2016	10.00	0.07	(0.02)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	–	–	0.01	(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
Series F												
June 30, 2017	10.00	0.06	(0.01)	–	(0.01)	0.04	(0.04)	–	–	–	(0.04)	10.00
Dec. 31, 2016	10.00	0.07	(0.02)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	–	–	0.02	(0.02)	–	–	–	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	–	–	0.01	(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
Series O												
June 30, 2017	10.00	0.07	–	–	(0.02)	0.05	(0.05)	–	–	–	(0.05)	10.00
Dec. 31, 2016	10.00	0.08	(0.01)	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00
Dec. 31, 2015	10.00	0.04	(0.01)	–	–	0.03	(0.03)	–	–	–	(0.03)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	–	–	0.01	(0.02)	–	–	–	(0.02)	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

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.

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

Investment Management®

(IN U.S. DOLLARS)

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 A							
June 30, 2017	10.00	1 193	119	0.28	0.28	n/a	—
Dec. 31, 2016	10.00	1 089	109	0.25	0.25	n/a	—
Dec. 31, 2015	10.00	1 469	147	0.12	0.12	n/a	—
Dec. 31, 2014	10.00	1 930	193	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	—
Advisor Series							
June 30, 2017	10.00	179	18	0.27	0.27	n/a	—
Dec. 31, 2016	10.00	54	5	0.24	0.24	n/a	—
Dec. 31, 2015	10.00	69	7	0.11	0.11	n/a	—
Dec. 31, 2014	10.00	93	9	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	—
Series D							
June 30, 2017	10.00	15 348	1 535	0.28	0.28	n/a	—
Dec. 31, 2016	10.00	15 180	1 518	0.25	0.25	n/a	—
Dec. 31, 2015	10.00	13 985	1 399	0.11	0.11	n/a	—
Dec. 31, 2014	10.00	16 354	1 635	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	—
Series F							
June 30, 2017	10.00	1 466	147	0.23	0.23	n/a	—
Dec. 31, 2016	10.00	819	82	0.19	0.19	n/a	—
Dec. 31, 2015	10.00	2 735	273	0.12	0.12	n/a	—
Dec. 31, 2014	10.00	3 035	303	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	—
Series O							
June 30, 2017	10.00	31 919	3 192	0.06	0.06	n/a	—
Dec. 31, 2016	10.00	34 364	3 436	0.06	0.06	n/a	—
Dec. 31, 2015	10.00	33 533	3 353	0.06	0.06	n/a	—
Dec. 31, 2014	10.00	34 032	3 403	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	—

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (in USD) (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	0.75%	33%	67%
Advisor Series	0.75%	33%	67%
Series D	0.50%	20%	80%
Series F	0.50%	—	100%

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

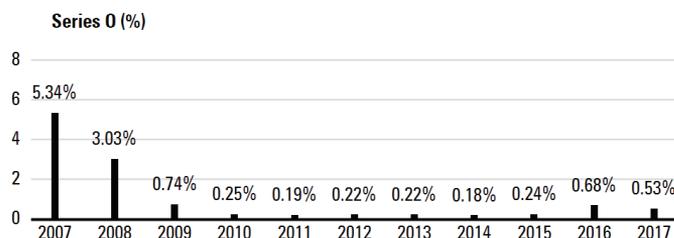
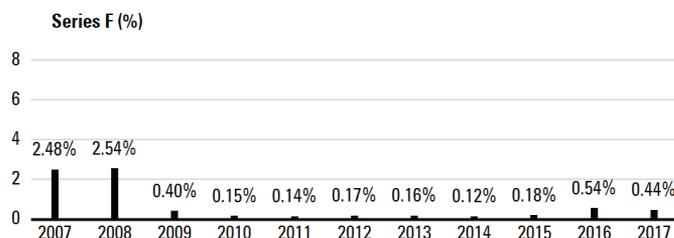
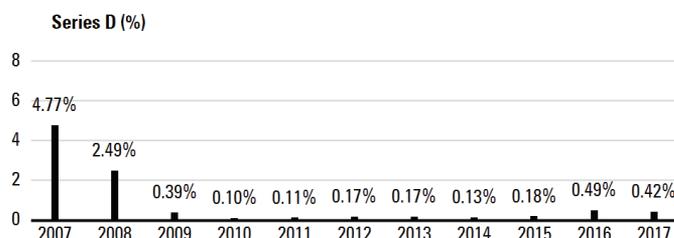
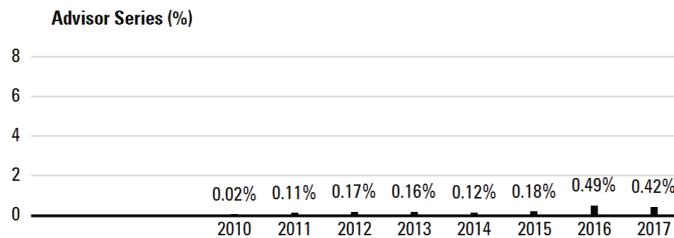
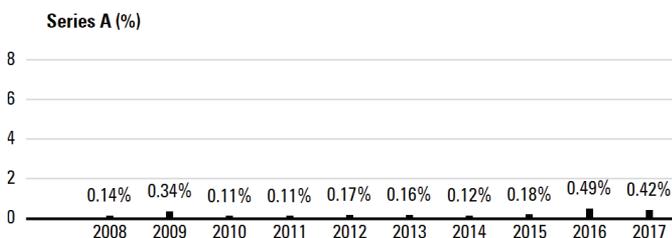
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO (in USD)*(after consideration of derivative products, if any)**As at June 30, 2017***Investment Mix**

	% of Net Asset Value
Corporate Notes	96.3
Government Notes	3.5
Cash/Other	0.2

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank 1.154% Aug 31 2017	9.5
Bank of Nova Scotia 1.197% Jul 20 2017	8.0
Canadian Imperial Bank of Commerce 1.184% Jul 19 2017	5.4
Bank of Montreal 1.127% Aug 2 2017	5.2
National Bank of Canada 1.207% Jul 19 2017	4.7
Ridge Trust 1.400% Aug 28 2017	4.7
Fusion Trust 1.599% Nov 6 2017	4.4
OMERS Realty Corp. 1.099% Jul 10 2017	4.2
Caisse Centrale Desjardins 1.240% Sep 27 2017	4.2
Canadian Imperial Bank of Commerce 1.131% Aug 2 2017	4.0
Banner Trust 1.503% Sep 20 2017	4.0
Canadian Master Trust - Series A 1.303% Jul 7 2017	4.0
SURE Trust 1.351% Jul 5 2017	4.0
Clarity Trust 1.611% Nov 15 2017	3.9
Hydro-Quebec 1.143% Aug 8 2017	3.5
Merit Trust - Senior Notes 1.510% Sep 5 2017	3.2
SOUND Trust 1.349% Aug 30 2017	3.0
SAFE Trust - Series 1996-1 1.530% Sep 11 2017	2.8
TMX Group Ltd. 1.232% Jul 10 2017	2.6
Prime Trust - Senior Notes 1.510% Sep 5 2017	2.5
Gaz Metro Inc. 1.099% Jul 11 2017	2.5
Zeus Receivables Trust - Senior Notes 1.501% Sep 18 2017	2.4
Zeus Receivables Trust - Senior Notes 1.510% Sep 5 2017	1.6
Prime Trust - Senior Notes 1.382% Jul 24 2017	1.4
SOUND Trust 1.570% Nov 14 2017	1.3
Top 25 Holdings	97.0

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.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
SHORT TERM BOND & MORTGAGE FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

A Note on Forward-looking Statements

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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. Investments are made in accordance with National Policy Statement No. 29, a set of regulatory guidelines covering mortgage purchases by mutual funds. To achieve the Fund's investment objective, the portfolio manager invests 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). The portfolio manager 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 \$5.8 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 0.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Corporate and provincial bonds outperformed federal-government fixed income during the first half of 2017, bolstered by accelerating global economic growth. The arrival of President Trump led to bond losses early in the period on speculation that his pro-growth policy proposals would lead to faster inflation. Canadian bonds outperformed U.S. bonds during this time amid weak commodity prices and the Bank of Canada's (the "BOC") willingness to keep short-term interest rates unchanged, while the U.S. Federal Reserve (the "Fed") was raising them. However, Canadian yields surged late in the period after stronger domestic growth prompted the BOC to consider raising rates, and led to overall underperformance in Canadian bonds.

Against this backdrop, the Fund was managed to take advantage of changes in interest rates while keeping the Fund's overall average maturity modestly shorter than the overall market. This strategy was a meaningful contributor to relative performance. The Fund's commercial-mortgage allocation contributed to returns as the investments offered high and relatively stable extra yields. This allocation was kept between 10% and 15% of the Fund's assets during the period. The Fund's exposure to corporate and federal-agency bonds was neutral for relative performance. The Fund was, on average, only slightly overweight corporate bonds, and therefore did not fully benefit from the outperformance of corporate bonds during

the period. The portfolio manager shifted assets between federal-agency and provincial bonds during the period, depending on the relative attractiveness of each. The Fund was generally underweight in these areas, freeing up room for higher-yielding corporate bonds and mortgages.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies have led to historically low global interest rates. However, central banks are now leaning toward removing economic stimulus in response to a stronger global economy. The Fed is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects the BOC to boost its benchmark rate in the near term. The portfolio manager will use fluctuations in interest rates as opportunities to make investments at higher yields.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	10.42	0.12	(0.05)	(0.01)	(0.04)	0.02	(0.07)	–	–	–	(0.07)	10.35
Dec. 31, 2016	10.49	0.27	(0.12)	(0.03)	(0.07)	0.05	(0.15)	–	–	–	(0.15)	10.42
Dec. 31, 2015	10.50	0.29	(0.12)	0.02	(0.02)	0.17	(0.16)	–	(0.02)	–	(0.18)	10.49
Dec. 31, 2014	10.42	0.30	(0.12)	0.02	0.06	0.26	(0.17)	–	–	–	(0.17)	10.50
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
Advisor Series												
June 30, 2017	10.42	0.12	(0.05)	(0.01)	(0.05)	0.01	(0.07)	–	–	–	(0.07)	10.35
Dec. 31, 2016	10.49	0.27	(0.12)	(0.03)	(0.04)	0.08	(0.15)	–	–	–	(0.15)	10.42
Dec. 31, 2015	10.50	0.29	(0.12)	0.02	(0.02)	0.17	(0.17)	–	(0.01)	–	(0.18)	10.49
Dec. 31, 2014	10.42	0.30	(0.12)	0.02	0.06	0.26	(0.18)	–	–	–	(0.18)	10.50
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
Series D												
June 30, 2017	10.38	0.12	(0.03)	(0.01)	(0.05)	0.03	(0.10)	–	–	–	(0.10)	10.31
Dec. 31, 2016	10.45	0.27	(0.06)	(0.03)	(0.05)	0.13	(0.20)	–	–	–	(0.20)	10.38
Dec. 31, 2015	10.45	0.29	(0.06)	0.02	(0.02)	0.23	(0.23)	–	(0.01)	–	(0.24)	10.45
Dec. 31, 2014	10.38	0.30	(0.06)	0.02	0.06	0.32	(0.24)	–	–	–	(0.24)	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
Series F												
June 30, 2017	10.36	0.12	(0.03)	(0.01)	(0.04)	0.04	(0.10)	–	–	–	(0.10)	10.29
Dec. 31, 2016	10.43	0.26	(0.06)	(0.03)	(0.06)	0.11	(0.20)	–	–	–	(0.20)	10.36
Dec. 31, 2015	10.43	0.28	(0.06)	0.02	(0.02)	0.22	(0.22)	–	(0.01)	–	(0.23)	10.43
Dec. 31, 2014	10.36	0.30	(0.06)	0.02	0.06	0.32	(0.24)	–	–	–	(0.24)	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
Series O												
June 30, 2017	10.09	0.12	–	(0.01)	(0.06)	0.05	(0.12)	–	–	–	(0.12)	10.02
Dec. 31, 2016	10.16	0.26	(0.01)	(0.03)	(0.04)	0.18	(0.25)	–	–	–	(0.25)	10.09
Dec. 31, 2015	10.17	0.28	(0.01)	0.02	(0.02)	0.27	(0.27)	–	(0.02)	–	(0.29)	10.16
Dec. 31, 2014	10.08	0.29	(0.01)	0.02	0.05	0.35	(0.28)	–	–	–	(0.28)	10.17
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

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.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE 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 A							
June 30, 2017	10.35	134 399	12 987	1.05	1.05	207.41	—
Dec. 31, 2016	10.42	172 864	16 593	1.10 ⁴	1.10	185.85	—
Dec. 31, 2015	10.49	144 831	13 808	1.16	1.16	200.13	—
Dec. 31, 2014	10.50	172 126	16 394	1.16	1.16	213.40	—
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	—
Advisor Series							
June 30, 2017	10.35	16 139	1 559	1.04	1.04	207.41	—
Dec. 31, 2016	10.42	20 873	2 003	1.11 ⁴	1.11	185.85	—
Dec. 31, 2015	10.49	27 136	2 586	1.16	1.16	200.13	—
Dec. 31, 2014	10.50	26 702	2 544	1.16	1.16	213.40	—
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	—
Series D							
June 30, 2017	10.31	211 075	20 469	0.60	0.60	207.41	—
Dec. 31, 2016	10.38	214 040	20 621	0.60	0.60	185.85	—
Dec. 31, 2015	10.45	220 901	21 137	0.60	0.60	200.13	—
Dec. 31, 2014	10.45	227 660	21 775	0.60	0.60	213.40	—
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	—
Series F							
June 30, 2017	10.29	131 100	12 740	0.49	0.49	207.41	—
Dec. 31, 2016	10.36	145 710	14 067	0.54 ⁴	0.54	185.85	—
Dec. 31, 2015	10.43	101 384	9 720	0.61	0.61	200.13	—
Dec. 31, 2014	10.43	115 516	11 071	0.61	0.61	213.40	—
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	—
Series O							
June 30, 2017	10.02	5 331 058	531 929	0.06	0.06	207.41	—
Dec. 31, 2016	10.09	5 186 690	514 114	0.06	0.06	185.85	—
Dec. 31, 2015	10.16	4 507 824	443 659	0.06	0.06	200.13	—
Dec. 31, 2014	10.17	4 033 918	396 757	0.06	0.06	213.40	—
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	—

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Advisor Series – 1.05% and Series F – 0.49%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	0.90%	50%	50%
Advisor Series	0.90%	50%	50%
Series D	0.50%	30%	70%
Series F	0.40%	–	100%

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

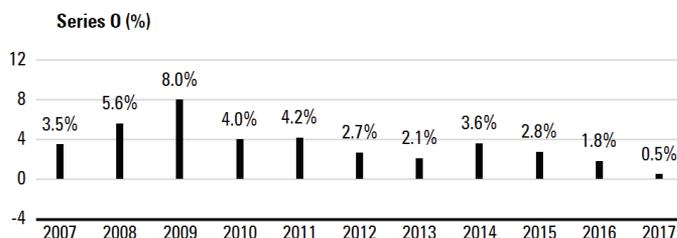
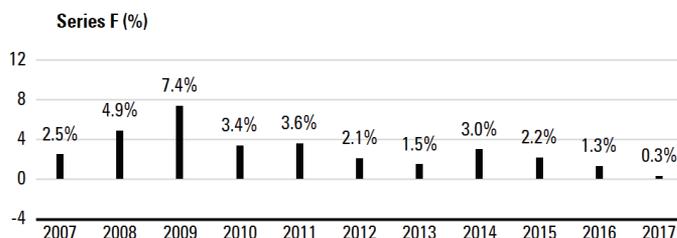
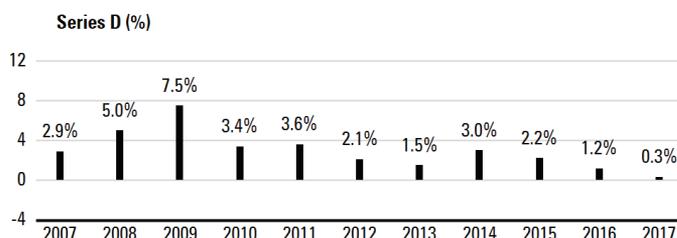
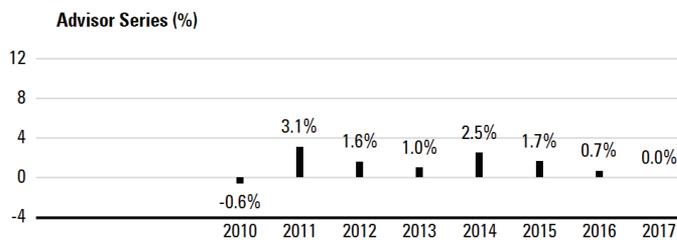
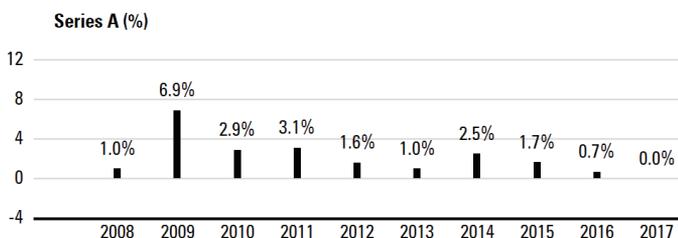
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series C units and then immediately renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016. 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, 2017.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**SUMMARY OF INVESTMENT PORTFOLIO***(after consideration of derivative products, if any)**As at June 30, 2017***Investment Mix**

	% of Net Asset Value
Corporate Bonds	35.7
Federal Bonds	34.0
Mortgages	11.0
Provincial Bonds	9.6
Mortgage-Backed Bonds	8.9
Cash/Other	0.8

Top 25 Holdings

	% of Net Asset Value
Government of Canada 0.750% Aug 1 2019	13.0
Province of Ontario 4.200% Jun 2 2020	5.4
Canada Housing Trust No. 1 1.250% Jun 15 2021	3.7
Canada Housing Trust No. 1 1.450% Jun 15 2020	3.1
Canada Housing Trust No. 1 1.250% Dec 15 2020	3.0
Canada Housing Trust No. 1 1.950% Jun 15 2019	2.6
Canada Housing Trust No. 1 2.000% Dec 15 2019	2.2
Province of Alberta 1.250% Jun 1 2020	2.2
Toronto-Dominion Bank 1.680% Jun 8 2021	2.0
Government of Canada 0.500% Mar 1 2022	1.8
Royal Bank of Canada 1.400% Apr 26 2019	1.5
Royal Bank of Canada 2.030% Mar 15 2021	1.3
Bank of Nova Scotia 1.330% May 1 2018	1.2
Province of Ontario 3.150% Jun 2 2022	1.1
Canada Housing Trust No. 1 3.750% Mar 15 2020	1.1
Enbridge Pipelines Inc. 6.620% Nov 19 2018	0.9
Canadian Mortgage Pools 1.420% Jun 1 2022	0.9
Canadian Imperial Bank of Commerce 1.700% Oct 9 2018	0.9
Canadian Mortgage Pools 1.450% Dec 1 2021	0.8
Canadian Mortgage Pools 1.370% Nov 1 2021	0.8
Wells Fargo & Co. CAD 2.509% Oct 27 2023	0.8
Canadian Mortgage Pools 1.400% May 1 2021	0.8
Province of Manitoba 1.550% Sep 5 2021	0.8
Government of Canada 1.500% Mar 1 2020	0.7
407 International Inc. 3.870% Nov 24 2017	0.7
Top 25 Holdings	53.3

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.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2017

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

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests primarily in high-quality Canadian corporate and government bonds issued in either Canadian or U.S. dollars. The portfolio manager 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 \$9.9 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 2.4%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Corporate and provincial bonds outperformed federal-government fixed income during the first half of 2017, bolstered by accelerating global economic growth. The arrival of President Trump led to bond losses early in the period on speculation that his pro-growth policy proposals would lead to faster inflation. Canadian bonds outperformed U.S. bonds during this time amid weak commodity prices and the Bank of Canada's (the "BOC") willingness to keep short-term interest rates unchanged, while the U.S. Federal Reserve (the "Fed") was raising them. However, Canadian yields surged late in the period after stronger domestic growth prompted the BOC to consider raising rates, and led to overall underperformance in Canadian bonds.

Given this backdrop, the portfolio manager did not have a strong view on the overall direction of bond yields, and therefore kept the Fund's overall average maturity only modestly shorter than the overall market. This strategy was neutral for relative performance.

The Fund's exposure to corporate bonds and those issued by federal agencies was positive for relative performance. The Fund was overweight corporate bonds, and therefore benefited from the outperformance of corporate bonds during the period. Gains in this area prompted the portfolio manager to take profits by reducing exposure to corporate bonds. The Fund's largest long-term position continued to be an overweight in provincial bonds. This exposure to provincial bonds, which had little impact on relative returns during the period, was reduced.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies have led to historically low global interest rates. However, central banks are now leaning toward removing economic stimulus in response to a stronger global economy. The Fed is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects the BOC to boost its benchmark rate in the near term. The portfolio manager will use fluctuations in interest rates as opportunities to make investments at higher yields.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	10.32	0.16	(0.05)	–	0.09	0.20	(0.12)	–	–	–	(0.12)	10.40
Dec. 31, 2016	10.51	0.34	(0.12)	0.11	(0.18)	0.15	(0.22)	–	(0.12)	–	(0.34)	10.32
Dec. 31, 2015	10.74	0.37	(0.13)	0.23	(0.18)	0.29	(0.24)	–	(0.27)	–	(0.51)	10.51
Dec. 31, 2014	10.21	0.37	(0.12)	0.17	0.42	0.84	(0.24)	–	(0.04)	–	(0.28)	10.74
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
Advisor Series												
June 30, 2017	10.32	0.16	(0.05)	–	0.09	0.20	(0.12)	–	–	–	(0.12)	10.40
Dec. 31, 2016	10.52	0.34	(0.12)	0.11	(0.19)	0.14	(0.22)	–	(0.12)	–	(0.34)	10.32
Dec. 31, 2015	10.74	0.37	(0.13)	0.23	(0.18)	0.29	(0.24)	–	(0.27)	–	(0.51)	10.52
Dec. 31, 2014	10.21	0.38	(0.12)	0.17	0.42	0.85	(0.24)	–	(0.04)	–	(0.28)	10.74
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
Series D												
June 30, 2017	10.23	0.16	(0.03)	–	0.09	0.22	(0.14)	–	–	–	(0.14)	10.31
Dec. 31, 2016	10.43	0.34	(0.06)	0.11	(0.19)	0.20	(0.27)	–	(0.12)	–	(0.39)	10.23
Dec. 31, 2015	10.65	0.37	(0.07)	0.23	(0.18)	0.35	(0.31)	–	(0.26)	–	(0.57)	10.43
Dec. 31, 2014	10.12	0.37	(0.06)	0.17	0.41	0.89	(0.30)	–	(0.04)	–	(0.34)	10.65
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
Series F												
June 30, 2017	10.28	0.16	(0.03)	–	0.09	0.22	(0.15)	–	–	–	(0.15)	10.36
Dec. 31, 2016	10.48	0.34	(0.06)	0.11	(0.21)	0.18	(0.28)	–	(0.12)	–	(0.40)	10.28
Dec. 31, 2015	10.70	0.37	(0.07)	0.23	(0.18)	0.35	(0.30)	–	(0.27)	–	(0.57)	10.48
Dec. 31, 2014	10.17	0.38	(0.06)	0.17	0.42	0.91	(0.30)	–	(0.04)	–	(0.34)	10.70
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
Series O												
June 30, 2017	10.24	0.16	–	–	0.09	0.25	(0.17)	–	–	–	(0.17)	10.32
Dec. 31, 2016	10.44	0.34	–	0.11	(0.23)	0.22	(0.34)	–	(0.12)	–	(0.46)	10.24
Dec. 31, 2015	10.67	0.37	–	0.23	(0.18)	0.42	(0.36)	–	(0.27)	–	(0.63)	10.44
Dec. 31, 2014	10.15	0.37	–	0.17	0.41	0.95	(0.38)	–	(0.04)	–	(0.42)	10.67
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

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.

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 A							
June 30, 2017	10.40	90 914	8 745	1.05	1.05	121.18	—
Dec. 31, 2016	10.32	101 217	9 809	1.10 ⁴	1.10	133.52	—
Dec. 31, 2015	10.51	112 560	10 707	1.16	1.16	243.23	—
Dec. 31, 2014	10.74	117 482	10 944	1.16	1.16	232.92	—
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	—
Advisor Series							
June 30, 2017	10.40	41 195	3 961	1.05	1.05	121.18	—
Dec. 31, 2016	10.32	46 859	4 539	1.10 ⁴	1.10	133.52	—
Dec. 31, 2015	10.52	44 408	4 222	1.16	1.16	243.23	—
Dec. 31, 2014	10.74	35 732	3 328	1.16	1.16	232.92	—
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	—
Series D							
June 30, 2017	10.31	582 192	56 477	0.60	0.60	121.18	—
Dec. 31, 2016	10.23	600 761	58 716	0.60	0.60	133.52	—
Dec. 31, 2015	10.43	616 099	59 095	0.60	0.60	243.23	—
Dec. 31, 2014	10.65	622 449	58 463	0.60	0.60	232.92	—
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	—
Series F							
June 30, 2017	10.36	104 431	10 081	0.49	0.49	121.18	—
Dec. 31, 2016	10.28	104 591	10 172	0.54 ⁴	0.54	133.52	—
Dec. 31, 2015	10.48	94 082	8 981	0.60	0.60	243.23	—
Dec. 31, 2014	10.70	78 952	7 380	0.60	0.60	232.92	—
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	—
Series O							
June 30, 2017	10.32	9 042 151	876 196	0.02	0.02	121.18	—
Dec. 31, 2016	10.24	9 531 479	930 497	0.02	0.02	133.52	—
Dec. 31, 2015	10.44	8 009 643	767 022	0.02	0.02	243.23	—
Dec. 31, 2014	10.67	7 782 781	729 576	0.02	0.02	232.92	—
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	—

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Advisor Series – 1.05% and Series F – 0.49%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	0.90%	50%	50%
Advisor Series	0.90%	50%	50%
Series D	0.50% [†]	30%	70%
Series F	0.40%	–	100%

Series O – no management fees are paid by the Fund with respect to 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.

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

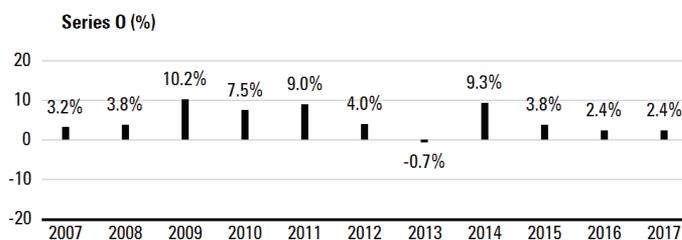
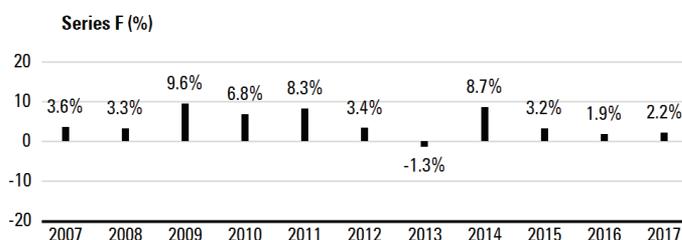
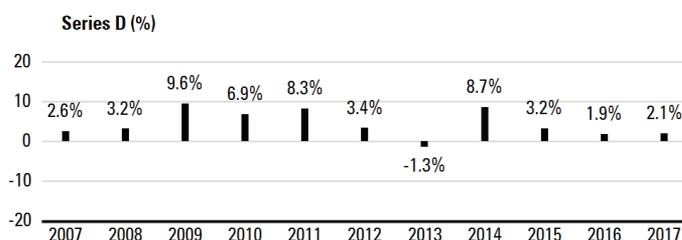
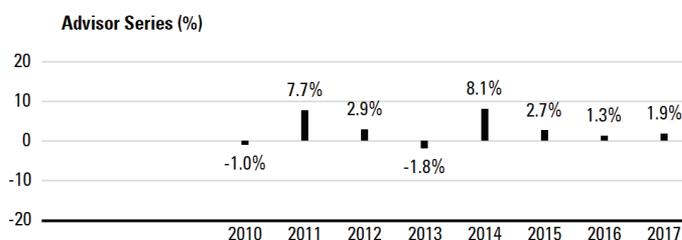
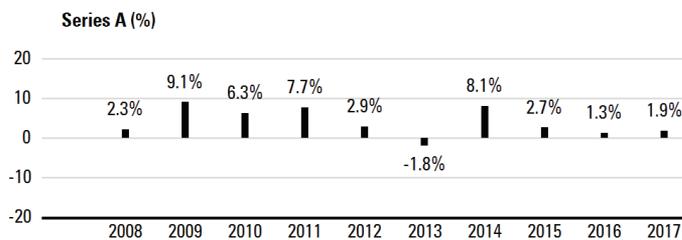
Net Asset Value of Series D	Percentage
Up to \$1 000 000	2.00
From \$1 000 001 up to \$3 000 000	1.75
From \$3 000 001 up to \$5 000 000	1.50
From \$5 000 001 up to \$10 000 000	1.25
From \$10 000 001 up to \$100 000 000	1.00
Over \$100 000 000	0.75

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Federal Bonds	34.2
Provincial Bonds	32.4
Corporate Bonds	28.5
Municipal Bonds	1.0
Mortgages	0.5
Mortgage-Backed Bonds	0.1
Cash/Other	3.3

Top 25 Holdings

	% of Net Asset Value
Government of Canada 0.750% Sep 1 2020	5.0
Government of Canada 0.750% Aug 1 2019	3.9
Government of Canada 0.500% Mar 1 2022	3.0
Canada Housing Trust No. 1 1.250% Jun 15 2021	2.9
Cash & Cash Equivalents	2.8
Province of Ontario 3.500% Jun 2 2043	2.8
Province of Ontario 3.500% Jun 2 2024	2.8
Canada Housing Trust No. 1 1.750% Jun 15 2022	2.4
Government of Canada 3.250% Jun 1 2021	2.4
Province of Ontario 6.200% Jun 2 2031	2.3
Province of Ontario 4.600% Jun 2 2039	2.3
Province of Ontario 5.600% Jun 2 2035	2.3
Royal Bank of Canada 1.400% Apr 26 2019	2.3
Government of Canada 0.750% Mar 1 2021	1.8
Province of Ontario 7.600% Jun 2 2027	1.7
Province of Ontario 8.100% Sep 8 2023	1.6
Province of Quebec 8.500% Apr 1 2026	1.6
Government of Canada 1.500% Jun 1 2023	1.5
Government of Canada 1.500% Mar 1 2020	1.4
Province of Ontario 8.500% Dec 2 2025	1.4
Canada Housing Trust No. 1 3.350% Dec 15 2020	1.4
Government of Canada 2.750% Jun 1 2022	1.3
Province of Ontario 2.850% Jun 2 2023	1.2
Government of Canada 3.500% Jun 1 2020	1.2
Canada Housing Trust No. 1 1.250% Dec 15 2020	1.2
Top 25 Holdings	54.5

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.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
TOTAL RETURN BOND FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$8.2 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 2.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Corporate and provincial bonds outperformed federal-government fixed income during the first half of 2017, bolstered by accelerating global economic growth. The arrival of President Trump led to bond losses early in the period on speculation that his pro-growth policy proposals would lead to faster inflation. Canadian bonds outperformed U.S. bonds during this time amid weak commodity prices and the Bank of Canada's (the "BOC") willingness to keep short-term interest rates unchanged, while the U.S. Federal Reserve (the "Fed") was raising them. However, Canadian yields surged late in the period after stronger domestic growth prompted the BOC to consider raising rates, and led to overall underperformance in Canadian bonds.

Given this backdrop, the portfolio manager did not have a strong view on the overall direction of bond yields, and therefore kept the Fund's overall average maturity only modestly shorter than the market. This strategy contributed slightly to relative performance.

The Fund's exposure to corporate and provincial bonds was positive for relative performance. The Fund was overweight corporate bonds, and therefore benefited from the outperformance of corporate bonds during the period. Gains in this area prompted the portfolio manager to take profits by reducing exposure to corporate bonds. The Fund's

largest long-term position continued to be an overweight in provincial bonds. This exposure to provincial bonds, which had little impact on relative performance during the period, was reduced.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies have led to historically low global interest rates. However, central banks are now leaning toward removing economic stimulus in response to a stronger global economy. The Fed is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects the BOC to boost its benchmark rate in the near term. The portfolio manager will use fluctuations in interest rates as opportunities to make investments at higher yields.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	11.34	0.18	(0.06)	–	0.11	0.23	(0.13)	–	–	–	(0.13)	11.44
Dec. 31, 2016	11.52	0.38	(0.13)	0.12	(0.22)	0.15	(0.24)	–	(0.14)	–	(0.38)	11.34
Dec. 31, 2015	11.69	0.40	(0.14)	0.16	(0.17)	0.25	(0.25)	–	(0.22)	–	(0.47)	11.52
Dec. 31, 2014	11.12	0.47	(0.13)	0.15	0.46	0.95	(0.27)	–	(0.05)	–	(0.32)	11.69
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
Advisor Series												
June 30, 2017	11.35	0.18	(0.06)	–	0.10	0.22	(0.13)	–	–	–	(0.13)	11.45
Dec. 31, 2016	11.53	0.38	(0.13)	0.12	(0.22)	0.15	(0.24)	–	(0.14)	–	(0.38)	11.35
Dec. 31, 2015	11.69	0.40	(0.14)	0.16	(0.17)	0.25	(0.25)	–	(0.21)	–	(0.46)	11.53
Dec. 31, 2014	11.13	0.46	(0.13)	0.15	0.46	0.94	(0.26)	–	(0.05)	–	(0.31)	11.69
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
Series D												
June 30, 2017	11.34	0.18	(0.03)	–	0.10	0.25	(0.16)	–	–	–	(0.16)	11.44
Dec. 31, 2016	11.52	0.38	(0.07)	0.12	(0.19)	0.24	(0.30)	–	(0.14)	–	(0.44)	11.34
Dec. 31, 2015	11.69	0.40	(0.07)	0.16	(0.17)	0.32	(0.32)	–	(0.21)	–	(0.53)	11.52
Dec. 31, 2014	11.12	0.46	(0.07)	0.15	0.46	1.00	(0.33)	–	(0.05)	–	(0.38)	11.69
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
Series F												
June 30, 2017	11.36	0.18	(0.03)	–	0.10	0.25	(0.16)	–	–	–	(0.16)	11.45
Dec. 31, 2016	11.53	0.37	(0.06)	0.12	(0.32)	0.11	(0.31)	–	(0.14)	–	(0.45)	11.36
Dec. 31, 2015	11.70	0.40	(0.07)	0.16	(0.17)	0.32	(0.32)	–	(0.21)	–	(0.53)	11.53
Dec. 31, 2014	11.13	0.47	(0.07)	0.15	0.47	1.02	(0.33)	–	(0.05)	–	(0.38)	11.70
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
Series O												
June 30, 2017	11.29	0.18	–	–	0.10	0.28	(0.19)	–	–	–	(0.19)	11.38
Dec. 31, 2016	11.47	0.37	–	0.12	(0.17)	0.32	(0.37)	–	(0.15)	–	(0.52)	11.29
Dec. 31, 2015	11.63	0.40	–	0.16	(0.17)	0.39	(0.39)	–	(0.20)	–	(0.59)	11.47
Dec. 31, 2014	11.06	0.40	–	0.12	0.39	0.91	(0.39)	–	(0.05)	–	(0.44)	11.63
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

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.

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 A							
June 30, 2017	11.44	161 599	14 132	1.05	1.05	115.26	—
Dec. 31, 2016	11.34	169 245	14 922	1.10 ⁴	1.10	132.94	—
Dec. 31, 2015	11.52	153 976	13 367	1.16	1.16	218.83	—
Dec. 31, 2014	11.69	166 803	14 272	1.16	1.16	256.07	—
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	—
Advisor Series							
June 30, 2017	11.45	114 395	9 992	1.05	1.05	115.26	—
Dec. 31, 2016	11.35	111 224	9 796	1.10 ⁴	1.10	132.94	—
Dec. 31, 2015	11.53	94 165	8 167	1.16	1.16	218.83	—
Dec. 31, 2014	11.69	98 269	8 404	1.16	1.16	256.07	—
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	—
Series D							
June 30, 2017	11.44	590 457	51 630	0.58	0.58	115.26	—
Dec. 31, 2016	11.34	583 467	51 440	0.58	0.58	132.94	—
Dec. 31, 2015	11.52	543 855	47 207	0.58	0.58	218.83	—
Dec. 31, 2014	11.69	527 221	45 109	0.59	0.59	256.07	—
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	—
Series F							
June 30, 2017	11.45	926 758	80 941	0.50	0.50	115.26	—
Dec. 31, 2016	11.36	801 893	70 615	0.55 ⁴	0.55	132.94	—
Dec. 31, 2015	11.53	462 345	40 085	0.61	0.61	218.83	—
Dec. 31, 2014	11.70	339 951	29 051	0.61	0.61	256.07	—
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	—
Series O							
June 30, 2017	11.38	6 430 004	565 109	0.02	0.02	115.26	—
Dec. 31, 2016	11.29	6 316 953	559 740	0.02	0.02	132.94	—
Dec. 31, 2015	11.47	6 103 380	532 024	0.02	0.02	218.83	—
Dec. 31, 2014	11.63	4 777 705	410 781	0.02	0.02	256.07	—
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	—

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Advisor Series – 1.05% and Series F – 0.50%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	0.90%	50%	50%
Advisor Series	0.90%	50%	50%
Series D	0.50%	30%	70%
Series F	0.40%	—	100%

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

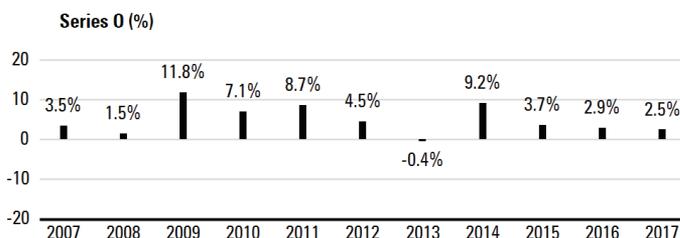
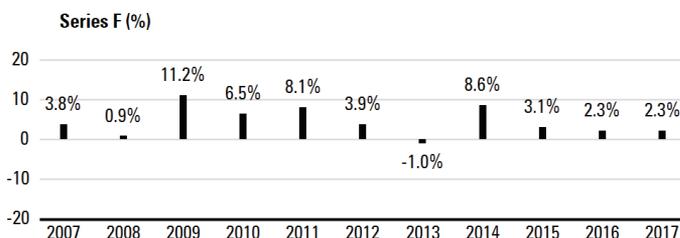
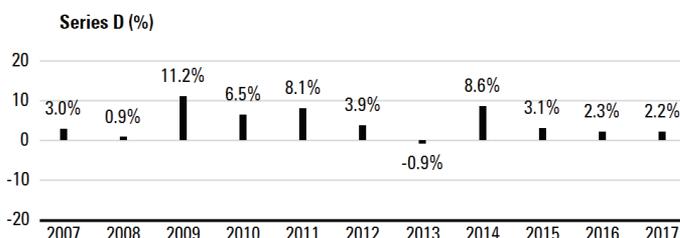
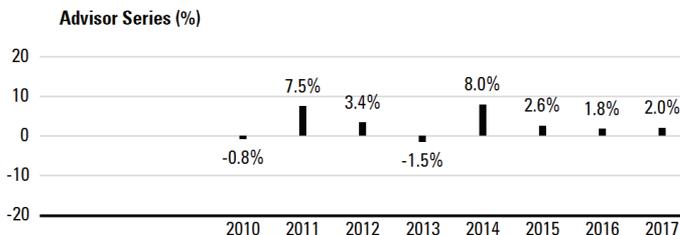
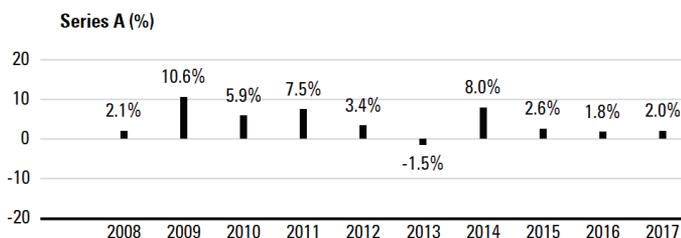
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series C units and then immediately renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Federal Bonds	35.2
Provincial Bonds	32.9
Corporate Bonds	27.6
Municipal Bonds	0.9
Mortgage-Backed Bonds	0.1
Mortgages	0.1
Cash/Other	3.2

Top 25 Holdings

	% of Net Asset Value
Government of Canada 0.750% Sep 1 2020	5.2
Government of Canada 0.750% Aug 1 2019	4.0
Government of Canada 0.500% Mar 1 2022	3.4
Province of Ontario 3.500% Jun 2 2024	3.1
Government of Canada 3.500% Jun 1 2020	2.8
Canada Housing Trust No. 1 1.750% Jun 15 2022	2.7
Province of Ontario 3.500% Jun 2 2043	2.7
Canada Housing Trust No. 1 1.250% Jun 15 2021	2.5
Province of Ontario 6.200% Jun 2 2031	2.5
Province of Ontario 4.600% Jun 2 2039	2.4
Government of Canada 1.500% Mar 1 2020	2.4
Government of Canada 3.250% Jun 1 2021	2.1
Province of Ontario 7.600% Jun 2 2027	2.1
Government of Canada 0.750% Mar 1 2021	1.8
Province of Quebec 8.500% Apr 1 2026	1.7
Province of Ontario 5.600% Jun 2 2035	1.7
Government of Canada 2.750% Dec 1 2048	1.7
United States 10-Year Note Future, September 2017	1.7
Province of Ontario 8.100% Sep 8 2023	1.5
Province of Ontario 2.850% Jun 2 2023	1.5
Government of Canada 2.750% Jun 1 2022	1.3
Province of Ontario 2.900% Dec 2 2046	1.2
Cash & Cash Equivalents	1.1
Royal Bank of Canada 1.400% Apr 26 2019	1.1
Canadian 10-Year Bond Future, September 2017	(1.2)
Top 25 Holdings	53.0

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
INFLATION-LINKED BOND FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$88 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 0.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The arrival of President Trump led to bond losses early in the period on speculation that his pro-growth policy proposals would lead to faster inflation. Canadian bonds outperformed U.S. bonds during this time amid weak commodity prices and the Bank of Canada's (the "BOC") willingness to keep short-term interest rates unchanged, while the U.S. Federal Reserve (the "Fed") was raising them. However, Canadian yields surged late in the period after stronger domestic growth prompted the BOC to consider raising rates, and led to overall underperformance in Canadian bonds.

The Fund benefited from making timely purchases of inflation-linked bonds, believed to be undervalued, and selling securities deemed overvalued, as well as by shortening the average maturity of the portfolio for brief periods. The portfolio continued to hold modest allocations in provincial and corporate inflation-linked bonds, which aided performance as they had higher yields than Government of Canada bonds. Companies and provinces sell relatively few inflation-linked bonds, limiting these opportunities.

The Fund was very active in attempting to capitalize on market volatility.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies have led to historically low global interest rates. However, central banks are now leaning toward removing economic stimulus in response to a stronger global economy. The Fed is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects the BOC to boost its benchmark rate in the near term. The portfolio manager will use fluctuations in interest rates as opportunities to make investments at higher yields.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	11.27	1.94	(0.05)	(0.10)	(1.79)	—	(0.59)	—	—	—	(0.59)	10.68
Dec. 31, 2016	11.13	0.25	(0.11)	0.23	(0.07)	0.30	(0.15)	—	—	—	(0.15)	11.27
Dec. 31, 2015	10.99	0.31	(0.11)	(0.36)	0.46	0.30	(0.21)	—	—	—	(0.21)	11.13
Dec. 31, 2014	10.24	0.71	(0.10)	(1.00)	1.82	1.43	(0.61)	—	—	—	(0.61)	10.99
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
Advisor Series												
June 30, 2017	11.28	1.94	(0.05)	(0.10)	(1.76)	0.03	(0.59)	—	—	—	(0.59)	10.68
Dec. 31, 2016	11.13	0.25	(0.11)	0.23	(0.10)	0.27	(0.15)	—	—	—	(0.15)	11.28
Dec. 31, 2015	10.99	0.31	(0.11)	(0.36)	0.46	0.30	(0.20)	—	—	—	(0.20)	11.13
Dec. 31, 2014	10.24	0.71	(0.10)	(1.00)	1.82	1.43	(0.61)	—	—	—	(0.61)	10.99
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
Series D												
June 30, 2017	11.33	1.95	(0.03)	(0.10)	(1.80)	0.02	(0.62)	—	—	—	(0.62)	10.73
Dec. 31, 2016	11.17	0.25	(0.06)	0.23	(0.12)	0.30	(0.18)	—	—	—	(0.18)	11.33
Dec. 31, 2015	11.03	0.31	(0.06)	(0.36)	0.47	0.36	(0.25)	—	—	—	(0.25)	11.17
Dec. 31, 2014	10.29	0.72	(0.06)	(1.01)	1.85	1.50	(0.67)	—	—	—	(0.67)	11.03
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
Series F												
June 30, 2017	11.31	1.95	(0.02)	(0.10)	(1.78)	0.05	(0.63)	—	—	—	(0.63)	10.71
Dec. 31, 2016	11.15	0.25	(0.04)	0.23	(0.17)	0.27	(0.20)	—	—	—	(0.20)	11.31
Dec. 31, 2015	11.01	0.31	(0.04)	(0.36)	0.47	0.38	(0.27)	—	—	—	(0.27)	11.15
Dec. 31, 2014	10.27	0.71	(0.04)	(1.00)	1.82	1.49	(0.69)	—	—	—	(0.69)	11.01
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
Series O												
June 30, 2017	11.41	1.97	—	(0.11)	(1.81)	0.05	(0.65)	—	—	—	(0.65)	10.80
Dec. 31, 2016	11.25	0.25	—	0.23	(0.13)	0.35	(0.24)	—	—	—	(0.24)	11.41
Dec. 31, 2015	11.10	0.31	—	(0.36)	0.47	0.42	(0.31)	—	—	—	(0.31)	11.25
Dec. 31, 2014	10.35	0.72	—	(1.01)	1.85	1.56	(0.73)	—	—	—	(0.73)	11.10
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

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.

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 A							
June 30, 2017	10.68	12 972	1 214	0.93	0.93	7 909.93	—
Dec. 31, 2016	11.27	13 503	1 198	0.93	0.93	7 750.88	—
Dec. 31, 2015	11.13	14 992	1 347	0.93	0.93	1 690.92	—
Dec. 31, 2014	10.99	18 486	1 751	0.94	0.94	836.48	—
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	—
Advisor Series							
June 30, 2017	10.68	2 160	202	0.93	0.93	7 909.93	—
Dec. 31, 2016	11.28	2 043	181	0.93	0.93	7 750.88	—
Dec. 31, 2015	11.13	1 927	173	0.93	0.93	1 690.92	—
Dec. 31, 2014	10.99	2 094	198	0.94	0.94	836.48	—
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	—
Series D							
June 30, 2017	10.73	14 457	1 347	0.55	0.55	7 909.93	—
Dec. 31, 2016	11.33	15 645	1 381	0.55	0.55	7 750.88	—
Dec. 31, 2015	11.17	14 665	1 312	0.55	0.55	1 690.92	—
Dec. 31, 2014	11.03	15 239	1 438	0.55	0.55	836.48	—
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	—
Series F							
June 30, 2017	10.71	9 332	871	0.38	0.38	7 909.93	—
Dec. 31, 2016	11.31	8 423	745	0.38	0.38	7 750.88	—
Dec. 31, 2015	11.15	8 174	733	0.38	0.38	1 690.92	—
Dec. 31, 2014	11.01	7 793	737	0.39	0.39	836.48	—
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	—
Series O							
June 30, 2017	10.80	48 741	4 511	0.03	0.03	7 909.93	—
Dec. 31, 2016	11.41	43 870	3 846	0.03	0.03	7 750.88	—
Dec. 31, 2015	11.25	35 289	3 139	0.03	0.03	1 690.92	—
Dec. 31, 2014	11.10	18 250	1 711	0.03	0.03	836.48	—
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	—

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	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 with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

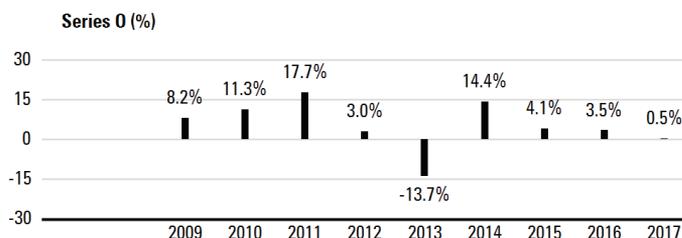
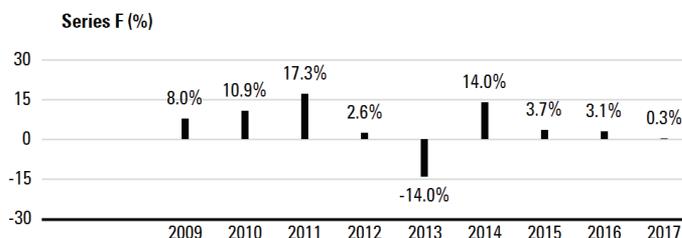
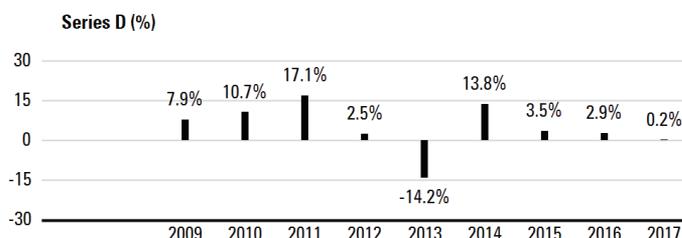
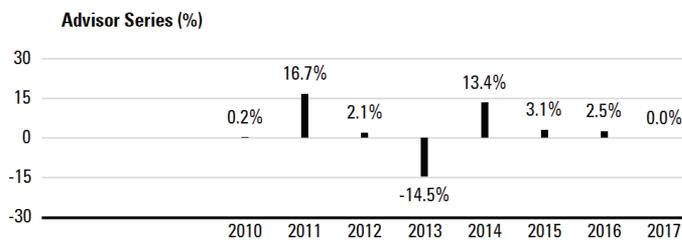
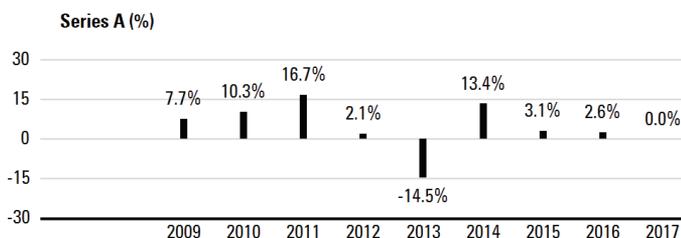
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, and Series A, Series D, Series F and Series O units since June 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Federal Bonds	88.6
Provincial Bonds	10.3
Corporate Bonds	0.7
Cash/Other	0.4

Top 25 Holdings*

	% of Net Asset Value
Government of Canada 4.000% Dec 1 2031	33.3
Government of Canada 4.250% Dec 1 2021	16.0
Government of Canada 1.500% Dec 1 2044	10.8
Government of Canada 2.000% Dec 1 2041	10.7
Government of Canada 0.500% Dec 1 2050	9.3
Government of Canada 3.000% Dec 1 2036	5.2
Province of Ontario 2.000% Dec 1 2036	4.3
Government of Canada 1.250% Dec 1 2047	3.4
Province of Quebec 4.250% Dec 1 2031	2.8
Province of Quebec 4.500% Dec 1 2026	2.3
Province of Quebec 4.500% Dec 1 2021	0.9
Teranet Holdings LP 3.270% Dec 1 2031	0.7
Cash & Cash Equivalents	0.2
Government of Canada 1.500% Jun 1 2026	0.1
Government of Canada 3.500% Dec 1 2045	-
Government of Canada 2.750% Dec 1 2048	-
Government of Canada 2.250% Jun 1 2025	-
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.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
HIGH YIELD BOND FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager 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 \$4.1 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 3.0%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Overall, the Fund benefited from the high-yield bond market's continued rally from the lows in February 2016. The Fund maintained a large allocation to high-yield energy bonds, given that most of the energy bonds in the portfolio had little exposure to changes in interest rates, and would likely be redeemed by their issuers before year-end, lowering credit risk.

For this reason, the Fund maintained its "barbell" structure with its large foundation of cash and short-term investment-grade corporate bonds to provide stability and liquidity. Layered above that is a core of Canadian high-yield bonds issued by stable industries that are not overly exposed to the economic cycle and provide performance largely independent of the broader Canadian market. The remainder of the portfolio includes positions that provide higher yields and the potential for capital appreciation later this year. The portfolio manager believes that the barbell structure provides attractive yields, while limiting risks if a significant rise in government-bond yields leads to a drop in prices.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies, have led to historically low global interest rates. However, central banks are now leaning toward removing economic stimulus in response to a stronger global economy. The U.S. Federal Reserve is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects

the BOC to boost its benchmark rate in the near term. The portfolio manager will use fluctuations in interest rates as opportunities to make investments at higher yields.

High-yield bonds continue to have relatively high prices, particularly when considering growing political risks and the rising odds that interest rates will increase.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund's risk rating changed from low-to-medium to low.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

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Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	12.16	0.37	(0.09)	0.04	(0.04)	0.28	(0.30)	–	–	–	(0.30)	12.13
Dec. 31, 2016	10.97	0.72	(0.17)	0.25	0.99	1.79	(0.53)	–	(0.09)	–	(0.62)	12.16
Dec. 31, 2015	11.97	0.77	(0.17)	(0.05)	(0.95)	(0.40)	(0.60)	–	–	–	(0.60)	10.97
Dec. 31, 2014	12.18	0.81	(0.18)	(0.06)	(0.18)	0.39	(0.62)	–	–	–	(0.62)	11.97
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
Advisor Series												
June 30, 2017	12.16	0.37	(0.09)	0.04	(0.04)	0.28	(0.30)	–	–	–	(0.30)	12.13
Dec. 31, 2016	10.97	0.71	(0.17)	0.25	1.10	1.89	(0.53)	–	(0.09)	–	(0.62)	12.16
Dec. 31, 2015	11.97	0.77	(0.17)	(0.05)	(0.95)	(0.40)	(0.60)	–	–	–	(0.60)	10.97
Dec. 31, 2014	12.18	0.80	(0.18)	(0.06)	(0.17)	0.39	(0.62)	–	–	–	(0.62)	11.97
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
Series D												
June 30, 2017	12.02	0.36	(0.05)	0.04	(0.04)	0.31	(0.34)	–	–	–	(0.34)	11.99
Dec. 31, 2016	10.85	0.71	(0.10)	0.25	0.98	1.84	(0.59)	–	(0.09)	–	(0.68)	12.02
Dec. 31, 2015	11.84	0.77	(0.10)	(0.05)	(0.94)	(0.32)	(0.67)	–	–	–	(0.67)	10.85
Dec. 31, 2014	12.06	0.80	(0.11)	(0.06)	(0.18)	0.45	(0.69)	–	–	–	(0.69)	11.84
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
Series F												
June 30, 2017	12.09	0.36	(0.05)	0.04	(0.04)	0.31	(0.34)	–	–	–	(0.34)	12.06
Dec. 31, 2016	10.91	0.71	(0.10)	0.25	1.09	1.95	(0.60)	–	(0.09)	–	(0.69)	12.09
Dec. 31, 2015	11.91	0.77	(0.11)	(0.05)	(0.95)	(0.34)	(0.67)	–	–	–	(0.67)	10.91
Dec. 31, 2014	12.12	0.81	(0.11)	(0.06)	(0.18)	0.46	(0.69)	–	–	–	(0.69)	11.91
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
Series O												
June 30, 2017	11.59	0.35	–	0.04	(0.05)	0.34	(0.37)	–	–	–	(0.37)	11.56
Dec. 31, 2016	10.47	0.68	–	0.24	1.06	1.98	(0.67)	–	(0.09)	–	(0.76)	11.59
Dec. 31, 2015	11.43	0.74	–	(0.04)	(0.91)	(0.21)	(0.74)	–	–	–	(0.74)	10.47
Dec. 31, 2014	11.64	0.78	–	(0.06)	(0.17)	0.55	(0.77)	–	–	–	(0.77)	11.43
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

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.

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 A							
June 30, 2017	12.13	263 652	21 733	1.43	1.43	71.21	—
Dec. 31, 2016	12.16	276 968	22 771	1.44	1.44	65.06	—
Dec. 31, 2015	10.97	281 732	25 678	1.44	1.44	108.96	—
Dec. 31, 2014	11.97	390 812	32 643	1.44	1.44	92.99	—
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	—
Advisor Series							
June 30, 2017	12.13	80 099	6 603	1.43	1.43	71.21	—
Dec. 31, 2016	12.16	86 418	7 106	1.43	1.43	65.06	—
Dec. 31, 2015	10.97	56 717	5 169	1.44	1.44	108.96	—
Dec. 31, 2014	11.97	57 002	4 761	1.45	1.45	92.99	—
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	—
Series D							
June 30, 2017	11.99	672 578	56 091	0.87	0.87	71.21	—
Dec. 31, 2016	12.02	666 947	55 478	0.87	0.87	65.06	—
Dec. 31, 2015	10.85	610 061	56 237	0.87	0.87	108.96	—
Dec. 31, 2014	11.84	701 096	59 194	0.87	0.87	92.99	—
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	—
Series F							
June 30, 2017	12.06	580 233	48 127	0.88	0.88	71.21	—
Dec. 31, 2016	12.09	584 954	48 394	0.88	0.88	65.06	—
Dec. 31, 2015	10.91	385 236	35 317	0.89	0.89	108.96	—
Dec. 31, 2014	11.91	395 716	33 229	0.88	0.88	92.99	—
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	—
Series O							
June 30, 2017	11.56	2 522 355	218 145	0.03	0.03	71.21	—
Dec. 31, 2016	11.59	2 527 124	217 973	0.03	0.03	65.06	—
Dec. 31, 2015	10.47	1 864 376	178 093	0.03	0.03	108.96	—
Dec. 31, 2014	11.43	2 004 105	175 361	0.03	0.03	92.99	—
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	—

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	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 with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

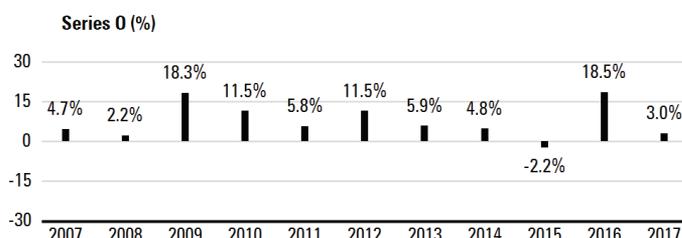
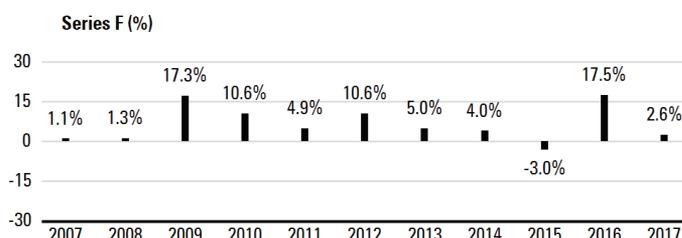
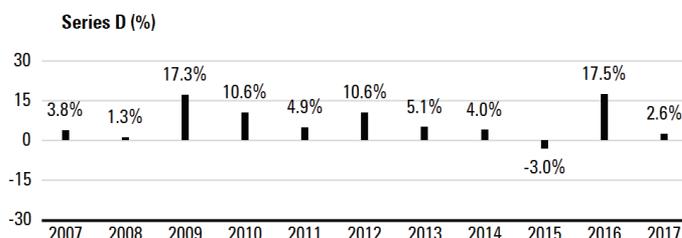
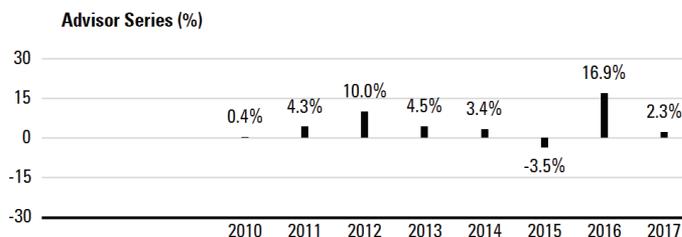
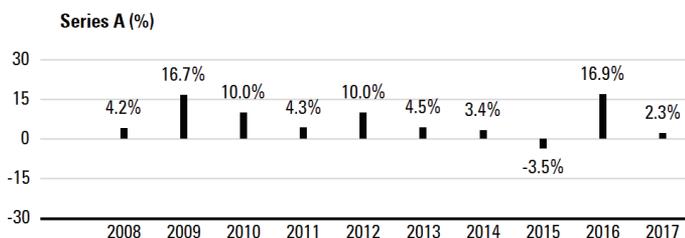
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Corporate Bonds	89.4
Cash/Other	10.6

Top 25 Holdings

	% of Net Asset Value
NGPL PipeCo LLC 7.119% Dec 15 2017	8.2
Cash & Cash Equivalents	7.4
Seven Generations Energy Ltd. USD 8.250% May 15 2020	6.4
Quebecor Media Inc. 6.625% Jan 15 2023	5.7
Baytex Energy Corp. 6.625% Jul 19 2022	3.9
Trilogy Energy Corp. 7.250% Dec 13 2019	3.8
Northern Blizzard Resources Inc. USD 7.250% Feb 1 2022	3.2
Teine Energy Ltd. USD 6.875% Sep 30 2022	2.7
Canadian Energy Services & Technology Corp. 7.375% Apr 17 2020	2.5
Western Energy Services Corp. 7.875% Jan 30 2019	2.4
Baytex Energy Corp. USD 6.750% Feb 17 2021	2.4
Newalta Corp. 7.750% Nov 14 2019	2.4
Gibson Energy Inc. USD 6.750% Jul 15 2021	2.2
Superior Plus LP 6.500% Dec 9 2021	2.0
Baytex Energy Corp. USD 5.625% Jun 1 2024	1.9
Parkland Fuel Corp. 5.625% May 9 2025	1.7
Precision Drilling Corp. USD 6.625% Nov 15 2020	1.6
Atlantic Power LP 5.950% Jun 23 2036	1.6
PDC Energy Inc. 7.750% Oct 15 2022	1.5
Crombie Real Estate Investment Trust 3.962% Jun 1 2021	1.5
Parkland Fuel Corp. 6.000% Nov 21 2022	1.4
Baytex Energy Corp. USD 5.125% Jun 1 2021	1.3
Dollar Tree Inc. 5.250% Mar 1 2020	1.3
Iron Mountain Canada Operations ULC CAD 5.375% Sep 15 2023	1.3
AutoCanada Inc. 5.625% May 25 2021	1.3
Top 25 Holdings	71.6

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.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH LONG
INFLATION-LINKED BOND FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$79 million as of June 30, 2017.

Over the past six months, the Fund's Series O units lost 0.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The arrival of President Trump led to bond losses early in the period on speculation that his pro-growth policy proposals would lead to faster inflation. Canadian bonds outperformed U.S. bonds during this time amid weak commodity prices and the Bank of Canada's (the "BOC") willingness to keep short-term interest rates unchanged, while the U.S. Federal Reserve was raising them. However, Canadian yields surged late in the period after stronger domestic growth prompted the BOC to consider raising rates, and led to overall underperformance in Canadian bonds. By the end of the period, the Fund performed in line with its target of a modest real yield plus inflation.

The Fund invests in the two longest-term Government of Canada real-return bonds, which mature in 2047 and 2050. The 2047 bond, despite much volatility in between, began the year with a real yield of 0.5% and rose slightly to 0.6% by June 30, 2017.

Recent Developments

The Fund's performance will depend entirely on the performance of the two bonds in the portfolio. Inflation-adjusted interest rates are low by historical standards, and below levels that reflect the portfolio manager's expectations for Canada's economic growth rate. As a result, the portfolio manager expects real yields will ultimately rise, and given the long-term nature of the Fund, any rise could lead to significant investor losses.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund's risk rating changed from low-to-medium to medium.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

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

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	11.75	0.17	–	–	(0.18)	(0.01)	–	–	–	–	–	11.70
Dec. 31, 2016	11.35	0.32	–	0.07	0.19	0.58	(0.26)	–	(0.02)	–	(0.28)	11.75
Dec. 31, 2015	11.63	0.24	–	0.31	(0.42)	0.13	(0.20)	–	(0.27)	–	(0.47)	11.35
Dec. 31, 2014	9.91	0.35	–	0.01	1.57	1.93	(0.29)	–	(0.02)	–	(0.31)	11.63
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

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.

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, 2017	11.70	78 577	6 716	0.03	0.03	27.77	–
Dec. 31, 2016	11.75	70 635	6 007	0.03	0.03	37.57	–
Dec. 31, 2015	11.35	49 142	4 330	0.02	0.03	57.72	–
Dec. 31, 2014	11.63	34 454	2 964	0.02	0.03	7.14	–
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	–

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.

Management Fees

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

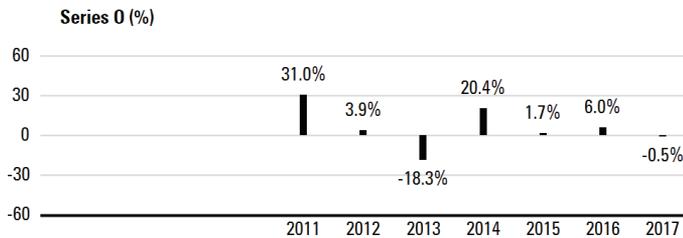
PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

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.



Series 0 units have been available for sale to unitholders since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Federal Bonds	99.9
Cash/Other	0.1

Top 25 Holdings*

	% of Net Asset Value
Government of Canada 1.250% Dec 1 2047	99.2
Government of Canada 0.500% Dec 1 2050	0.7
Cash & Cash Equivalents	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.rbcgam.com/funds, or by emailing us at info@phn.com.

BALANCED FUND

**PHILLIPS, HAGER & NORTH
MONTHLY INCOME FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager primarily invests 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 \$2.3 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 1.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Fund made monthly distributions of 4.65 cents per Series O unit in the first half of 2017.

The Canadian equity market delivered relatively weak returns over the first half of the year, driven by poor performance in the Financials and Energy sectors. Canadian stocks reached record highs early in the period, but fell back as oil prices declined and investors became concerned about the possibility that fallout from housing booms in Toronto and Vancouver would eventually begin to weigh on bank results.

The Fund's overweight exposure to companies most sensitive to oil prices hurt performance over the six-month period. Positions in Cenovus Energy and Crescent Point Energy had a large negative impact on the Fund's relative returns. The Fund's overweight in the Consumer Discretionary sector boosted returns, aided by a position in Dollarama.

Corporate and provincial bonds outperformed federal-government fixed income during the first half of 2017, bolstered by accelerating global economic growth. The arrival of President Trump led to bond losses early in the period on speculation that his pro-growth policy proposals would lead to faster inflation. Canadian bonds outperformed U.S. bonds during this time amid weak commodity

prices and the Bank of Canada's (the "BOC") willingness to keep short-term interest rates unchanged, while the U.S. Federal Reserve was raising them. However, Canadian yields surged late in the period after stronger domestic growth prompted the BOC to consider raising rates, and led to overall underperformance in Canadian bonds.

A preference for corporate bonds aided returns, as the extra yield they offered relative to government bonds increased.

Recent Developments

The investor optimism that followed the U.S. election last November has faded somewhat with the realization that economic-policy changes under the Trump administration will take longer than anticipated to implement. As a result, the global economic outlook has worsened slightly in recent months.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

The Results of Operations and Recent Developments sections were prepared in respect of the period ending June 30, 2017. On July 12, 2017, the BOC raised its benchmark rate to 0.75%, an increase of 0.25%, and the Results of Operations and Recent Developments sections should be read taking this increase into consideration.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series, Series H and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM, RBC IS and Royal Bank are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$69,000 (2016 – \$209,000), or 7% (2016 – 8%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	9.72	0.16	(0.09)	0.19	(0.19)	0.07	(0.04)	(0.13)	–	(0.07)	(0.24)	9.55
Dec. 31, 2016	9.08	0.34	(0.18)	0.13	0.81	1.10	(0.07)	(0.18)	(0.08)	(0.13)	(0.46)	9.72
Dec. 31, 2015	10.03	0.37	(0.19)	(0.07)	(0.53)	(0.42)	(0.01)	(0.19)	(0.04)	(0.26)	(0.50)	9.08
Dec. 31, 2014	10.45	0.36	(0.21)	0.71	(0.24)	0.62	(0.08)	(0.17)	(0.86)	–	(1.11)	10.03
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
Advisor Series												
June 30, 2017	9.72	0.16	(0.09)	0.19	(0.18)	0.08	(0.04)	(0.13)	–	(0.07)	(0.24)	9.55
Dec. 31, 2016	9.08	0.34	(0.18)	0.13	0.83	1.12	(0.07)	(0.18)	(0.08)	(0.13)	(0.46)	9.72
Dec. 31, 2015	10.03	0.37	(0.19)	(0.07)	(0.53)	(0.42)	(0.01)	(0.19)	(0.04)	(0.26)	(0.50)	9.08
Dec. 31, 2014	10.45	0.37	(0.20)	0.73	(0.25)	0.65	(0.08)	(0.17)	(0.86)	–	(1.11)	10.03
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
Series H												
June 30, 2017	9.81	0.16	(0.09)	0.19	(0.17)	0.09	(0.04)	(0.14)	–	(0.07)	(0.25)	9.64
Dec. 31, 2016	9.15	0.34	(0.15)	0.14	0.70	1.03	(0.07)	(0.18)	(0.08)	(0.13)	(0.46)	9.81
Dec. 31, 2015	10.08	0.37	(0.17)	(0.07)	(0.53)	(0.40)	(0.01)	(0.19)	(0.04)	(0.26)	(0.50)	9.15
Dec. 31, 2014	10.48	0.37	(0.19)	0.73	(0.25)	0.66	(0.08)	(0.17)	(0.86)	–	(1.11)	10.08
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 ³	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, 2017	10.35	0.17	(0.06)	0.20	(0.20)	0.11	(0.04)	(0.15)	–	(0.07)	(0.26)	10.20
Dec. 31, 2016	9.58	0.36	(0.11)	0.14	0.86	1.25	(0.08)	(0.18)	(0.08)	(0.14)	(0.48)	10.35
Dec. 31, 2015	10.49	0.38	(0.11)	(0.07)	(0.56)	(0.36)	(0.01)	(0.21)	(0.04)	(0.27)	(0.53)	9.58
Dec. 31, 2014	10.82	0.39	(0.12)	0.76	(0.26)	0.77	(0.08)	(0.18)	(0.88)	–	(1.14)	10.49
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
Series F												
June 30, 2017	10.55	0.18	(0.04)	0.21	(0.26)	0.09	(0.04)	(0.14)	–	(0.08)	(0.26)	10.41
Dec. 31, 2016	9.74	0.37	(0.08)	0.15	0.76	1.20	(0.08)	(0.19)	(0.08)	(0.14)	(0.49)	10.55
Dec. 31, 2015	10.64	0.39	(0.09)	(0.07)	(0.57)	(0.34)	(0.01)	(0.20)	(0.04)	(0.28)	(0.53)	9.74
Dec. 31, 2014	10.94	0.39	(0.09)	0.77	(0.26)	0.81	(0.08)	(0.18)	(0.89)	–	(1.15)	10.64
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

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	Total	
Series I												
June 30, 2017	10.64	0.18	(0.03)	0.21	(0.22)	0.14	(0.04)	(0.15)	–	(0.08)	(0.27)	10.51
Dec. 31, 2016	9.81	0.37	(0.06)	0.15	0.83	1.29	(0.08)	(0.19)	(0.08)	(0.14)	(0.49)	10.64
Dec. 31, 2015	10.69	0.39	(0.07)	(0.07)	(0.56)	(0.31)	(0.01)	(0.20)	(0.04)	(0.28)	(0.53)	9.81
Dec. 31, 2014	10.97	0.39	(0.07)	0.77	(0.26)	0.83	(0.08)	(0.18)	(0.89)	–	(1.15)	10.69
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 ³	10.52 [†]	0.20	(0.03)	0.08	0.17	0.42	(0.08)	(0.10)	(0.06)	(0.02)	(0.26)	10.80
Series O												
June 30, 2017	11.14	0.19	–	0.22	(0.23)	0.18	(0.05)	(0.15)	–	(0.08)	(0.28)	11.04
Dec. 31, 2016	10.21	0.38	(0.01)	0.15	0.93	1.45	(0.08)	(0.19)	(0.09)	(0.15)	(0.51)	11.14
Dec. 31, 2015	11.06	0.41	(0.01)	(0.08)	(0.59)	(0.27)	(0.01)	(0.21)	(0.04)	(0.29)	(0.55)	10.21
Dec. 31, 2014	11.27	0.42	(0.01)	0.81	(0.28)	0.94	(0.09)	(0.19)	(0.90)	–	(1.18)	11.06
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

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 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 A							
June 30, 2017	9.55	1 695 129	177 580	1.92	1.92	90.94	0.09
Dec. 31, 2016	9.72	1 790 651	184 156	1.92	1.92	183.99	0.17
Dec. 31, 2015	9.08	2 048 442	225 496	1.92	1.92	206.03	0.24
Dec. 31, 2014	10.03	2 754 742	274 644	1.94	1.94	187.77	0.24
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
Advisor Series							
June 30, 2017	9.55	72 977	7 643	1.92	1.92	90.94	0.09
Dec. 31, 2016	9.72	81 979	8 431	1.92	1.92	183.99	0.17
Dec. 31, 2015	9.08	94 677	10 422	1.92	1.92	206.03	0.24
Dec. 31, 2014	10.03	133 056	13 265	1.92	1.92	187.77	0.24
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
Series H							
June 30, 2017	9.64	51 901	5 382	1.75	1.75	90.94	0.09
Dec. 31, 2016	9.81	59 545	6 067	1.75	1.75	183.99	0.17
Dec. 31, 2015	9.15	40 118	4 385	1.74	1.74	206.03	0.24
Dec. 31, 2014	10.08	58 352	5 789	1.74	1.74	187.77	0.24
Dec. 31, 2013	10.48	36 308	3 466	1.74	1.74	220.70	0.27
Dec. 31, 2012 ⁴	10.45	33 912	3 245	1.77	1.77	192.25	0.27

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 D							
June 30, 2017	10.20	135 695	13 300	1.09	1.09	90.94	0.09
Dec. 31, 2016	10.35	135 614	13 107	1.09	1.09	183.99	0.17
Dec. 31, 2015	9.58	130 065	13 571	1.09	1.09	206.03	0.24
Dec. 31, 2014	10.49	153 635	14 642	1.08	1.08	187.77	0.24
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
Series F							
June 30, 2017	10.41	161 738	15 533	0.82	0.82	90.94	0.09
Dec. 31, 2016	10.55	117 816	11 171	0.83	0.83	183.99	0.17
Dec. 31, 2015	9.74	66 943	6 872	0.83	0.83	206.03	0.24
Dec. 31, 2014	10.64	85 017	7 994	0.83	0.83	187.77	0.24
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
Series I							
June 30, 2017	10.51	9 173	873	0.65	0.65	90.94	0.09
Dec. 31, 2016	10.64	9 571	900	0.64	0.64	183.99	0.17
Dec. 31, 2015	9.81	8 160	832	0.65	0.65	206.03	0.24
Dec. 31, 2014	10.69	16 892	1 581	0.65	0.65	187.77	0.24
Dec. 31, 2013	10.97	10 218	932	0.66	0.66	220.70	0.27
Dec. 31, 2012 ⁴	10.82	14 179	1 310	0.68	0.68	192.25	0.27
Series O							
June 30, 2017	11.04	161 883	14 660	0.06	0.06	90.94	0.09
Dec. 31, 2016	11.14	169 414	15 206	0.06	0.06	183.99	0.17
Dec. 31, 2015	10.21	195 642	19 159	0.06	0.06	206.03	0.24
Dec. 31, 2014	11.06	250 753	22 678	0.06	0.06	187.77	0.24
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

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 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 July 2012.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	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 with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

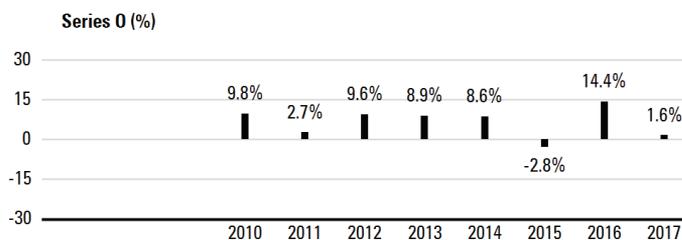
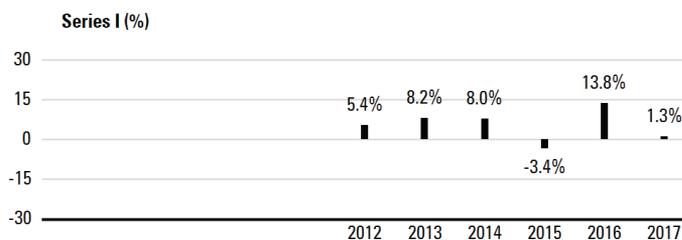
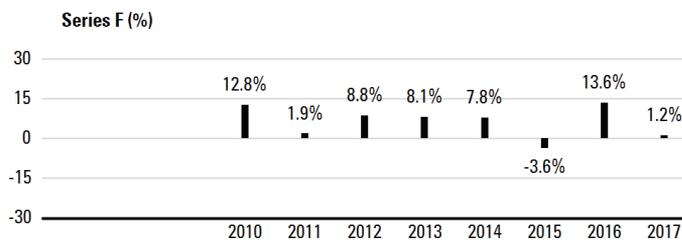
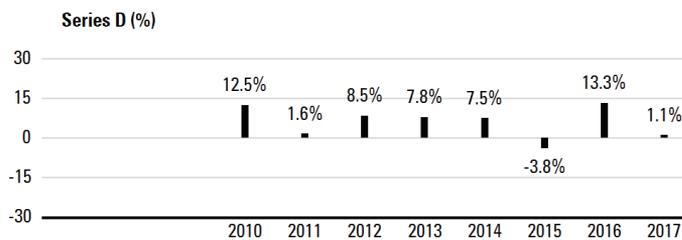
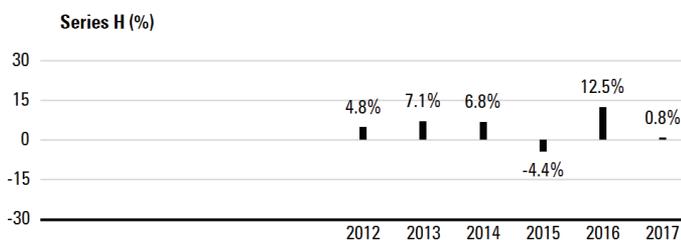
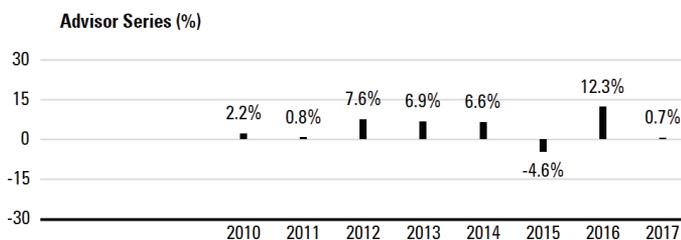
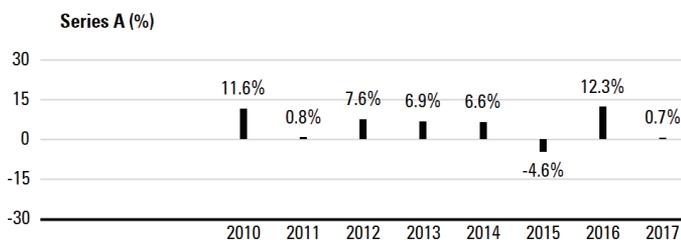
* Includes all costs related to management, investment advisory services, general administration and profit.

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 H and Series I units have been available for sale to unitholders since July 2012, Advisor Series units since October 2010, Series O units since April 2010, and Series A, Series D and Series F units since December 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Canadian Equities	50.5
Bonds	41.4
Preferred Equities	5.5
Cash/Other	2.6

Top 25 Holdings

	% of Net Asset Value
RBC High Yield Bond Fund	5.6
Toronto-Dominion Bank	4.5
Royal Bank of Canada	4.3
Phillips, Hager & North High Yield Bond Fund	4.2
Enbridge Inc.	3.5
Bank of Nova Scotia	3.3
Brookfield Asset Management Inc., Class A	2.0
Canadian Imperial Bank of Commerce	1.8
Alimentation Couche-Tard Inc.	1.6
Manulife Financial Corporation	1.5
Government of Canada 0.750% Aug 1 2019	1.4
Quebecor Inc., Class B	1.4
Canada Housing Trust No. 1 1.250% Jun 15 2021	1.3
Government of Canada 0.750% Sep 1 2020	1.3
Waste Connections Inc.	1.2
Keyera Corp.	1.2
Government of Canada 3.250% Jun 1 2021	1.1
Province of Ontario 3.500% Jun 2 2043	1.1
Fortis Inc.	1.1
Stantec Inc.	1.1
Bank of Montreal	1.0
Cash & Cash Equivalents	1.0
Sun Life Financial Inc.	1.0
Canadian Pacific Railway Ltd.	1.0
Province of Ontario 5.600% Jun 2 2035	1.0
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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

BALANCED FUND

**PHILLIPS, HAGER & NORTH
BALANCED FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$916 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 4.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump's pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

The Fund's overweight position in equities and underweight position in fixed income had a positive impact on performance. Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the "Fed") increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Both of the Fund's fixed-income holdings contributed positively to returns, led by the Phillips, Hager & North Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. The Fund's global equity positions contributed positively to performance, led by the RBC Global Equity Focus Fund. However, the Fund's sole Canadian equity holding, the Phillips, Hager & North Canadian Equity Underlying Fund, detracted from returns.

Recent Developments

The portfolio manager is budgeting for a bit faster global economic growth over the next few years than has been the case in the recent past, and expects bond yields to rise over the long term. However, fading confidence in President Trump's ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive, accounting for the Fund's equity overweight.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	19.31	0.12	(0.19)	0.05	0.69	0.67	—	—	—	—	—	19.98
Dec. 31, 2016	18.63	0.53	(0.38)	0.51	0.51	1.17	(0.06)	(0.20)	(0.25)	—	(0.51)	19.31
Dec. 31, 2015	18.78	0.55	(0.39)	0.78	(0.23)	0.71	(0.06)	(0.20)	(0.64)	—	(0.90)	18.63
Dec. 31, 2014	18.97	0.51	(0.39)	2.40	(0.63)	1.89	(0.04)	(0.10)	(1.93)	—	(2.07)	18.78
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
Advisor Series												
June 30, 2017	19.36	0.12	(0.20)	0.05	0.66	0.63	—	—	—	—	—	20.03
Dec. 31, 2016	18.64	0.53	(0.38)	0.51	0.55	1.21	(0.06)	(0.19)	(0.22)	—	(0.47)	19.36
Dec. 31, 2015	18.79	0.55	(0.39)	0.78	(0.23)	0.71	(0.06)	(0.20)	(0.64)	—	(0.90)	18.64
Dec. 31, 2014	18.98	0.51	(0.39)	2.40	(0.63)	1.89	(0.04)	(0.10)	(1.93)	—	(2.07)	18.79
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
Series D												
June 30, 2017	19.26	0.12	(0.08)	0.05	0.68	0.77	—	(0.02)	—	—	(0.02)	20.01
Dec. 31, 2016	18.47	0.53	(0.16)	0.51	0.53	1.41	(0.08)	(0.28)	(0.26)	—	(0.62)	19.26
Dec. 31, 2015	18.52	0.55	(0.17)	0.77	(0.22)	0.93	(0.08)	(0.29)	(0.64)	—	(1.01)	18.47
Dec. 31, 2014	18.73	0.50	(0.17)	2.37	(0.63)	2.07	(0.09)	(0.26)	(1.93)	—	(2.28)	18.52
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
Series F												
June 30, 2017	19.24	0.12	(0.09)	0.05	0.68	0.76	—	(0.02)	—	—	(0.02)	20.00
Dec. 31, 2016	18.46	0.53	(0.17)	0.51	0.50	1.37	(0.08)	(0.27)	(0.26)	—	(0.61)	19.24
Dec. 31, 2015	18.54	0.55	(0.17)	0.77	(0.23)	0.92	(0.08)	(0.28)	(0.67)	—	(1.03)	18.46
Dec. 31, 2014	18.74	0.50	(0.18)	2.37	(0.63)	2.06	(0.09)	(0.25)	(1.93)	—	(2.27)	18.54
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
Series O												
June 30, 2017	19.05	0.12	—	0.05	0.68	0.85	(0.02)	(0.07)	—	—	(0.09)	19.81
Dec. 31, 2016	18.26	0.53	—	0.51	0.49	1.53	(0.11)	(0.40)	(0.25)	—	(0.76)	19.05
Dec. 31, 2015	18.32	0.54	—	0.76	(0.22)	1.08	(0.12)	(0.39)	(0.65)	—	(1.16)	18.26
Dec. 31, 2014	18.54	0.50	—	2.34	(0.62)	2.22	(0.13)	(0.38)	(1.93)	—	(2.44)	18.32
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

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.

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 A							
June 30, 2017	19.98	24 951	1 249	2.00⁴	2.00	5.17	0.07
Dec. 31, 2016	19.31	24 070	1 246	2.01	2.01	14.33	0.08
Dec. 31, 2015	18.63	24 677	1 325	2.00	2.00	17.64	0.08
Dec. 31, 2014	18.78	23 095	1 230	1.99	1.99	53.33	0.08
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
Advisor Series							
June 30, 2017	20.03	15 215	760	2.00⁴	2.00	5.17	0.07
Dec. 31, 2016	19.36	12 629	652	2.02	2.02	14.33	0.08
Dec. 31, 2015	18.64	5 881	316	2.00	2.00	17.64	0.08
Dec. 31, 2014	18.79	3 940	210	1.99	1.99	53.33	0.08
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
Series D							
June 30, 2017	20.01	822 256	41 084	0.88	0.88	5.17	0.07
Dec. 31, 2016	19.26	775 562	40 274	0.88	0.88	14.33	0.08
Dec. 31, 2015	18.47	713 802	38 649	0.88	0.88	17.64	0.08
Dec. 31, 2014	18.52	647 200	34 942	0.88	0.88	53.33	0.08
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
Series F							
June 30, 2017	20.00	13 888	695	0.92⁴	0.92	5.17	0.07
Dec. 31, 2016	19.24	11 697	608	0.92	0.92	14.33	0.08
Dec. 31, 2015	18.46	7 085	384	0.92	0.92	17.64	0.08
Dec. 31, 2014	18.54	9 185	495	0.91	0.91	53.33	0.08
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
Series O							
June 30, 2017	19.81	39 208	1 979	0.04	0.04	5.17	0.07
Dec. 31, 2016	19.05	38 263	2 009	0.04	0.04	14.33	0.08
Dec. 31, 2015	18.26	39 081	2 140	0.04	0.04	17.64	0.08
Dec. 31, 2014	18.32	38 910	2 124	0.04	0.04	53.33	0.08
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2017, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 1.96%, Advisor Series – 1.96% and Series F – 0.87%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	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 with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

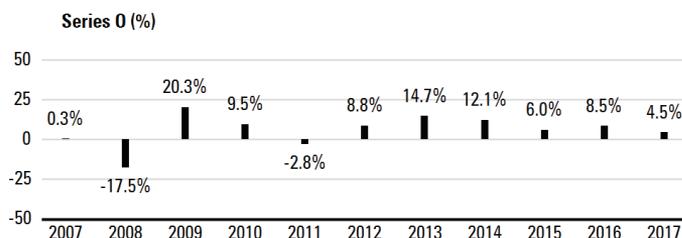
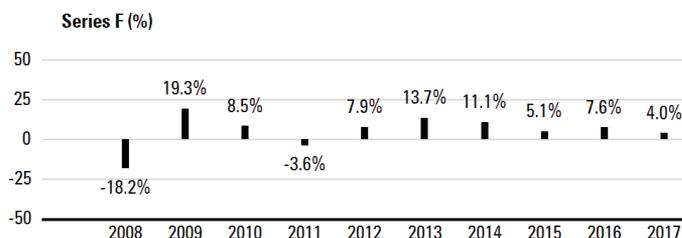
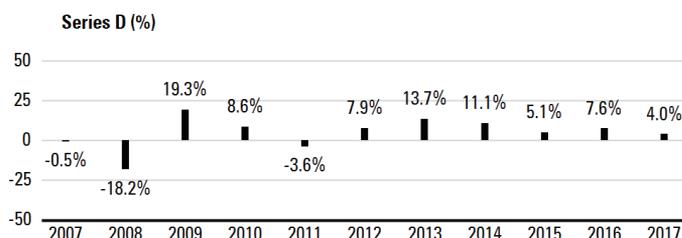
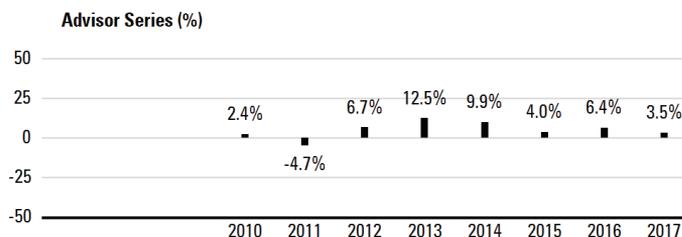
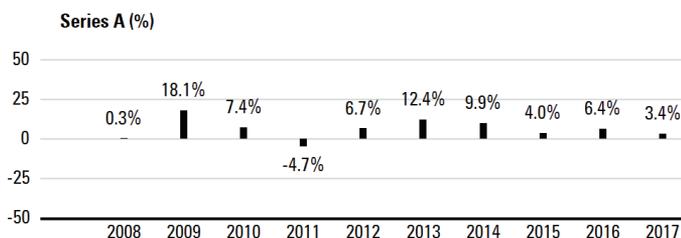
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since December 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Bonds	35.0
Global Equities	31.4
Canadian Equities	30.0
Cash/Other	3.6

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Bond Fund	35.4
Phillips, Hager & North Canadian Equity Underlying Fund	30.1
RBC Global Equity Focus Fund	20.8
RBC QUBE Global Equity Fund	6.9
RBC Emerging Markets Equity Fund	4.0
Phillips, Hager & North Canadian Money Market Fund	1.5
RBC High Yield Bond Fund	1.0
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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
DIVIDEND INCOME FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$2.5 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 1.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Global equity markets climbed in the first half of 2017. Canadian stocks lagged as a result of weakness in the Financials and Energy sectors, which together represent more than 50% of the domestic market. U.S. stocks had a strong start to the year, mainly because of the Information Technology sector, plus Amazon and Netflix. The equity-market strength reflected the extension of the economic uptick that began in the summer of 2016, with accelerating corporate-profit growth helping to lift global equities to new highs. Expectations for pro-growth economic-policy changes under President Trump were tempered, as the U.S. president grappled with a more difficult political landscape than was anticipated.

The best relative-performing sectors in the Fund were Energy, Financials and Utilities. Consumer Discretionary, Health Care and Information Technology sectors underperformed relative to the benchmark.

The Fund benefited relative to its benchmark from its positions in Brookfield Asset Management, Brookfield Infrastructure Partners, and Canadian National Railway. The portfolio manager's decision not to invest in Encana and Tourmaline Oil also positively contributed to performance relative to the benchmark.

The portfolio manager remained active during the first half of the year, adding or increasing the weights of a number of names, while eliminating and trimming others. Investments added to the portfolio included Cineplex, SNC-Lavalin and Tahoe Resources. The position in Milestone Apartments REIT was eliminated due to its acquisition by Starwood Capital.

Recent Developments

The bulk of equity gains in recent quarters has been driven by an acceleration in corporate profits, which are growing at their fastest pace in the post-crisis era. While stocks in the U.S. are not as cheap as when the bull market began eight years ago, it would not be unreasonable to expect further gains as long as profits continue to rise. On the other hand, equities in Canada remain attractively priced.

In the U.S., the U.S. Federal Reserve has hiked short-term interest rates twice so far in 2017, while the Bank of Canada has signalled its intent to raise interest rates soon given a stronger Canadian economy. President Trump's economic proposals have so far not received Congressional approval, and any that do will likely not be as ambitious as investors had hoped.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives

transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$43,000 (2016 – \$29,000), or 15% (2016 – 7%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	103.90	1.75	(0.98)	3.30	(3.27)	0.80	—	(0.69)	—	—	(0.69)	103.94
Dec. 31, 2016	87.03	3.39	(1.84)	1.66	14.96	18.17	—	(1.44)	—	—	(1.44)	103.90
Dec. 31, 2015	97.40	3.50	(1.91)	2.06	(12.47)	(8.82)	—	(1.45)	—	—	(1.45)	87.03
Dec. 31, 2014	90.69	3.23	(1.96)	3.05	3.99	8.31	—	(1.17)	(0.31)	—	(1.48)	97.40
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
Advisor Series												
June 30, 2017	103.91	1.75	(0.98)	3.30	(3.21)	0.86	—	(0.69)	—	—	(0.69)	103.97
Dec. 31, 2016	87.06	3.40	(1.84)	1.66	14.69	17.91	—	(1.44)	—	—	(1.44)	103.91
Dec. 31, 2015	97.42	3.50	(1.91)	2.07	(12.48)	(8.82)	—	(1.44)	—	—	(1.44)	87.06
Dec. 31, 2014	90.70	3.23	(1.96)	3.05	3.99	8.31	—	(1.17)	(0.31)	—	(1.48)	97.42
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
Series D												
June 30, 2017	102.91	1.74	(0.51)	3.27	(3.26)	1.24	—	(1.15)	—	—	(1.15)	102.96
Dec. 31, 2016	86.24	3.36	(1.00)	1.64	14.84	18.84	—	(2.29)	—	—	(2.29)	102.91
Dec. 31, 2015	96.54	3.47	(1.08)	2.05	(12.37)	(7.93)	—	(2.25)	—	—	(2.25)	86.24
Dec. 31, 2014	89.87	3.20	(1.11)	3.02	3.95	9.06	—	(1.98)	(0.31)	—	(2.29)	96.54
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
Series F												
June 30, 2017	103.73	1.75	(0.40)	3.30	(3.53)	1.12	—	(1.28)	—	—	(1.28)	103.78
Dec. 31, 2016	86.92	3.39	(0.79)	1.66	15.17	19.43	—	(2.52)	—	—	(2.52)	103.73
Dec. 31, 2015	97.28	3.50	(0.87)	2.07	(12.48)	(7.78)	—	(2.46)	—	—	(2.46)	86.92
Dec. 31, 2014	90.51	3.23	(0.89)	3.05	3.98	9.37	—	(2.17)	(0.31)	—	(2.48)	97.28
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
Series O												
June 30, 2017	101.31	1.71	(0.01)	3.22	(3.21)	1.71	—	(1.63)	—	—	(1.63)	101.35
Dec. 31, 2016	84.92	3.31	(0.02)	1.62	14.68	19.59	—	(3.26)	—	—	(3.26)	101.31
Dec. 31, 2015	95.08	3.42	(0.02)	2.02	(12.19)	(6.77)	—	(3.25)	—	—	(3.25)	84.92
Dec. 31, 2014	88.43	3.15	(0.02)	2.97	3.89	9.99	—	(2.93)	(0.31)	—	(3.24)	95.08
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

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.

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 A							
June 30, 2017	103.94	71 315	686	1.87	1.87	8.76	0.02
Dec. 31, 2016	103.90	74 417	716	1.94 ⁴	1.94	11.19	0.03
Dec. 31, 2015	87.03	59 220	680	2.03	2.03	5.28	0.01
Dec. 31, 2014	97.40	72 740	747	2.03	2.03	12.85	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
Advisor Series							
June 30, 2017	103.97	10 781	104	1.87	1.87	8.76	0.02
Dec. 31, 2016	103.91	10 934	105	1.94 ⁴	1.94	11.19	0.03
Dec. 31, 2015	87.06	6 470	74	2.03	2.03	5.28	0.01
Dec. 31, 2014	97.42	7 596	78	2.03	2.03	12.85	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
Series D							
June 30, 2017	102.96	1 642 639	15 954	0.99	0.99	8.76	0.02
Dec. 31, 2016	102.91	1 681 957	16 344	1.07 ⁴	1.07	11.19	0.03
Dec. 31, 2015	86.24	1 498 563	17 377	1.16	1.16	5.28	0.01
Dec. 31, 2014	96.54	1 801 970	18 665	1.16	1.16	12.85	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
Series F							
June 30, 2017	103.78	51 905	500	0.76	0.76	8.76	0.02
Dec. 31, 2016	103.73	46 199	445	0.84 ⁴	0.84	11.19	0.03
Dec. 31, 2015	86.92	32 131	370	0.93	0.93	5.28	0.01
Dec. 31, 2014	97.28	29 891	307	0.92	0.92	12.85	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
Series O							
June 30, 2017	101.35	758 334	7 482	0.02	0.02	8.76	0.02
Dec. 31, 2016	101.31	773 160	7 632	0.02	0.02	11.19	0.03
Dec. 31, 2015	84.92	667 635	7 862	0.02	0.02	5.28	0.01
Dec. 31, 2014	95.08	771 709	8 117	0.02	0.02	12.85	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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.87%, Advisor Series – 1.87%, Series D – 0.99% and Series F – 0.76%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

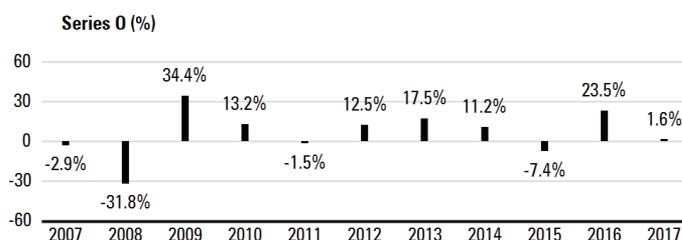
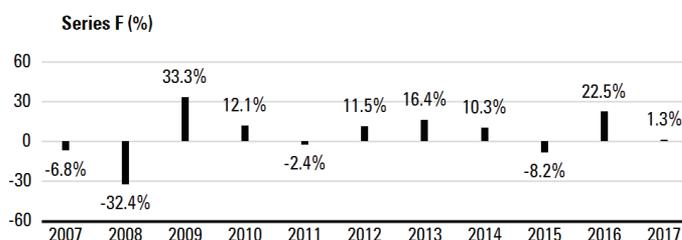
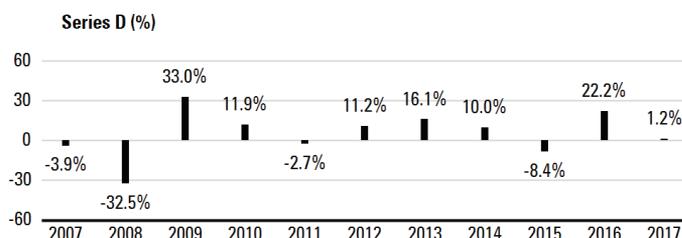
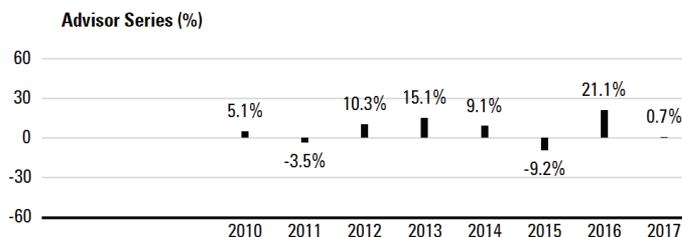
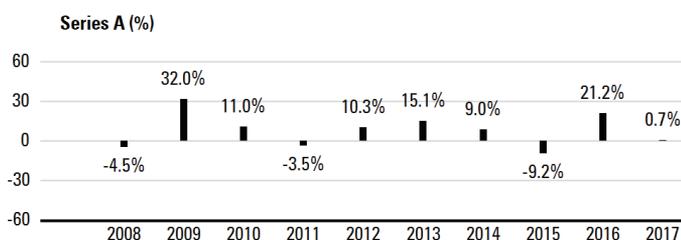
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	42.5
Energy	18.8
Industrials	8.9
Utilities	5.1
Telecommunication Services	5.0
Consumer Discretionary	5.0
Materials	4.7
Consumer Staples	4.1
Real Estate	3.2
Information Technology	0.7
Health Care	0.3
Corporate Bonds	0.3
Cash/Other	1.4

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	8.6
Toronto-Dominion Bank	7.2
Bank of Nova Scotia	5.9
Canadian National Railway Co.	5.1
Enbridge Inc.	4.4
Bank of Montreal	3.9
Brookfield Asset Management Inc., Class A	3.7
Manulife Financial Corporation	3.1
Suncor Energy Inc.	3.1
TransCanada Corp.	2.9
Canadian Imperial Bank of Commerce	2.7
BCE Inc.	2.4
Sun Life Financial Inc.	2.0
Loblaw Companies Ltd.	1.9
Canadian Natural Resources Ltd.	1.7
Magna International Inc., Class A	1.5
Canadian Pacific Railway Ltd.	1.4
Intact Financial Corp.	1.4
Rogers Communications Inc., Class B	1.4
Waste Connections Inc.	1.3
TELUS Corp.	1.2
Power Corporation of Canada	1.2
Cash & Cash Equivalents	1.2
Pembina Pipeline Corp.	1.1
Alimentation Couche-Tard Inc.	1.1
Top 25 Holdings	71.4

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.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 common shares of Canadian companies. To achieve the Fund's investment objective, the portfolio manager invests in companies that they 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 \$1.1 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units lost 0.8%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Canadian equity market delivered relatively weak returns over the first half of the year, driven by poor performance in the Financials and Energy sectors. Canadian stocks reached record highs early in the period, but fell back as oil prices declined and investors became concerned about the possibility that fallout from housing booms in Toronto and Vancouver would eventually begin to weigh on bank results.

In the Energy sector, positions in Crescent Point Energy, Cenovus Energy and Seven Generations Energy held back the Fund's relative returns. The Materials sector also weighed on performance, with a position in First Quantum Minerals having a negative impact during the period.

In the Consumer Discretionary sector, the Fund's overweight positions in Sleep Country Canada and Dollarama added significantly to returns. The Utilities sector also aided performance, with contributions from holdings in Brookfield Infrastructure Partners and Fortis Inc.

Recent Developments

The investor optimism that followed the U.S. election last November has faded somewhat with the realization that economic-policy changes under the Trump administration will take longer than anticipated to implement. As a result, the global economic outlook has worsened slightly in recent months.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$18,000 (2016 – \$49,000), or 7% (2016 – 12%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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	Total	
Series A												
June 30, 2017	101.67	1.22	(0.93)	4.03	(5.99)	(1.67)	—	—	—	—	—	99.90
Dec. 31, 2016	84.33	2.53	(1.78)	2.64	14.23	17.62	—	(0.67)	—	—	(0.67)	101.67
Dec. 31, 2015	94.27	2.63	(1.90)	1.39	(10.12)	(8.00)	—	(0.75)	(1.01)	—	(1.76)	84.33
Dec. 31, 2014	91.45	2.47	(2.00)	9.07	0.14	9.68	—	(0.60)	(5.75)	—	(6.35)	94.27
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
Advisor Series												
June 30, 2017	101.71	1.23	(0.93)	4.03	(6.11)	(1.78)	—	—	—	—	—	99.98
Dec. 31, 2016	84.36	2.53	(1.78)	2.64	14.53	17.92	—	(0.67)	—	—	(0.67)	101.71
Dec. 31, 2015	94.29	2.63	(1.90)	1.39	(10.11)	(7.99)	—	(0.75)	(1.01)	—	(1.76)	84.36
Dec. 31, 2014	91.46	2.48	(2.01)	9.10	0.14	9.71	—	(0.60)	(5.75)	—	(6.35)	94.29
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
Series D												
June 30, 2017	98.61	1.19	(0.49)	3.92	(5.85)	(1.23)	—	—	—	—	—	97.35
Dec. 31, 2016	81.84	2.46	(0.95)	2.57	14.18	18.26	—	(1.56)	—	—	(1.56)	98.61
Dec. 31, 2015	91.51	2.56	(1.05)	1.35	(9.85)	(6.99)	—	(1.48)	(0.99)	—	(2.47)	81.84
Dec. 31, 2014	88.91	2.41	(1.11)	8.84	0.13	10.27	—	(1.41)	(5.75)	—	(7.16)	91.51
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
Series F												
June 30, 2017	100.68	1.22	(0.38)	4.00	(6.29)	(1.45)	—	—	—	—	—	99.49
Dec. 31, 2016	83.52	2.52	(0.76)	2.63	14.69	19.08	—	(1.79)	—	—	(1.79)	100.68
Dec. 31, 2015	93.41	2.61	(0.86)	1.38	(10.07)	(6.94)	—	(1.71)	(1.01)	—	(2.72)	83.52
Dec. 31, 2014	90.62	2.46	(0.91)	9.03	0.13	10.71	—	(1.63)	(5.75)	—	(7.38)	93.41
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
Series O												
June 30, 2017	98.04	1.19	(0.01)	3.90	(5.84)	(0.76)	—	—	—	—	—	97.24
Dec. 31, 2016	81.34	2.46	(0.02)	2.57	14.08	19.09	—	(2.56)	—	—	(2.56)	98.04
Dec. 31, 2015	91.06	2.56	(0.02)	1.35	(9.85)	(5.96)	—	(2.47)	(1.02)	—	(3.49)	81.34
Dec. 31, 2014	88.46	2.41	(0.02)	8.82	0.13	11.34	—	(2.45)	(5.75)	—	(8.20)	91.06
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

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.

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 A							
June 30, 2017	99.90	18 146	182	1.84	1.84	32.22	0.06
Dec. 31, 2016	101.67	22 124	218	1.93 ⁴	1.93	35.41	0.08
Dec. 31, 2015	84.33	18 743	222	2.02	2.02	26.84	0.07
Dec. 31, 2014	94.27	14 195	151	2.02	2.02	31.71	0.09
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
Advisor Series							
June 30, 2017	99.98	1 324	13	1.84	1.84	32.22	0.06
Dec. 31, 2016	101.71	1 412	14	1.93 ⁴	1.93	35.41	0.08
Dec. 31, 2015	84.36	1 087	13	2.02	2.02	26.84	0.07
Dec. 31, 2014	94.29	1 445	15	2.02	2.02	31.71	0.09
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
Series D							
June 30, 2017	97.35	492 201	5 056	0.99	0.99	32.22	0.06
Dec. 31, 2016	98.61	509 894	5 171	1.06 ⁴	1.06	35.41	0.08
Dec. 31, 2015	81.84	448 506	5 480	1.15	1.15	26.84	0.07
Dec. 31, 2014	91.51	532 249	5 816	1.15	1.15	31.71	0.09
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
Series F							
June 30, 2017	99.49	11 626	117	0.76	0.76	32.22	0.06
Dec. 31, 2016	100.68	10 109	100	0.83 ⁴	0.83	35.41	0.08
Dec. 31, 2015	83.52	7 583	91	0.92	0.92	26.84	0.07
Dec. 31, 2014	93.41	7 413	79	0.92	0.92	31.71	0.09
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
Series O							
June 30, 2017	97.24	599 044	6 160	0.02	0.02	32.22	0.06
Dec. 31, 2016	98.04	613 835	6 261	0.02	0.02	35.41	0.08
Dec. 31, 2015	81.34	565 810	6 956	0.02	0.02	26.84	0.07
Dec. 31, 2014	91.06	635 688	6 981	0.02	0.02	31.71	0.09
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.86%, Advisor Series – 1.86%, Series D – 0.98% and Series F – 0.76%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

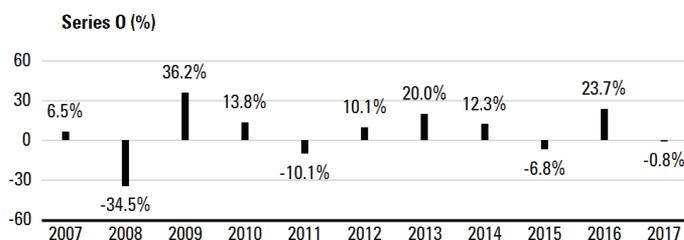
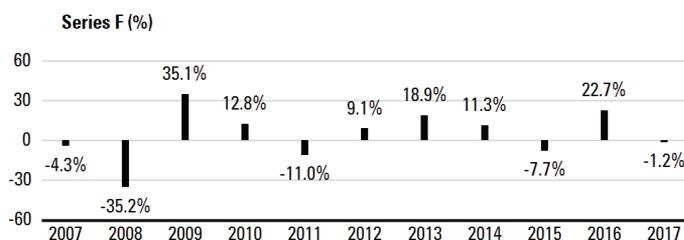
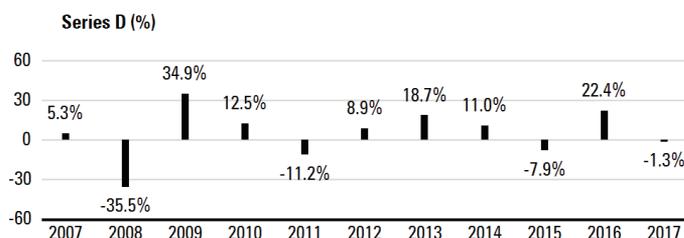
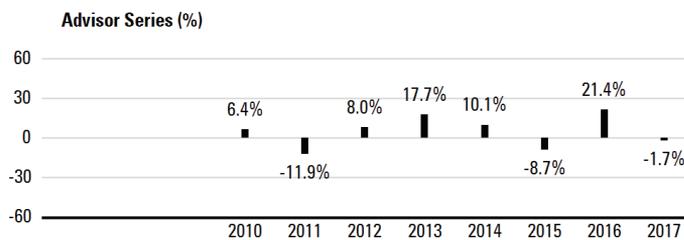
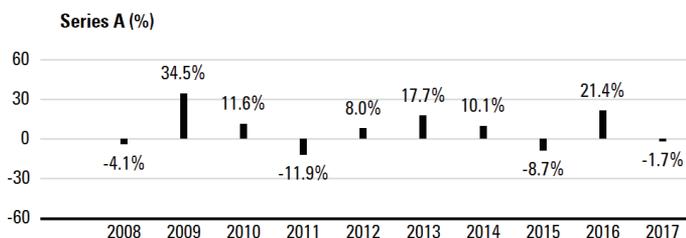
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	36.8
Energy	21.7
Industrials	9.9
Consumer Discretionary	8.4
Materials	8.1
Information Technology	3.9
Real Estate	3.1
Consumer Staples	3.0
Utilities	2.8
Telecommunication Services	1.6
Cash/Other	0.7

Top 25 Holdings

	% of Net Asset Value
Phillips, Hager & North Small Float Fund	11.2
Royal Bank of Canada	7.7
Toronto-Dominion Bank	7.3
Bank of Nova Scotia	5.4
Enbridge Inc.	5.4
Brookfield Asset Management Inc., Class A	3.9
Manulife Financial Corporation	3.3
Canadian Natural Resources Ltd.	2.9
Canadian National Railway Co.	2.9
Alimentation Couche-Tard Inc.	2.5
Waste Connections Inc.	2.1
Canadian Imperial Bank of Commerce	1.9
Tourmaline Oil Corp.	1.9
Sun Life Financial Inc.	1.7
Dollarama Inc.	1.7
Fortis Inc.	1.7
Bank of Montreal	1.6
CGI Group Inc., Class A	1.5
ARC Resources Ltd.	1.5
Brookfield Property Partners LP	1.4
TransCanada Corp.	1.4
Canadian Pacific Railway Ltd.	1.2
Cenovus Energy Inc.	1.2
Open Text Corp.	1.2
Fairfax Financial Holdings Ltd.	1.1
Top 25 Holdings	75.6

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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY VALUE FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$1.2 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 1.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks pared gains after hitting an all-time high in February of this year. Canadian stocks underperformed U.S. stocks during the period, primarily because of weakness in the Materials and Energy sectors, which together represent over 30% of Canada's overall stock market.

During the period, the Fund benefited from strong security selection in the Energy and Financials sectors. In the Energy sector, the decision to exclude Encana added to relative performance in the midst of uncertainty surrounding funding its capital spending plans in a weaker commodity price environment. In Financials, Brookfield Asset Management was a strong contributor after reporting second quarter results that exceeded expectations.

While the broad-based commodity shock has subsided, oil prices continue to be under pressure, declining about 20% year-to-date. Oil prices remain difficult to forecast in the short run, but remain below the portfolio manager's estimate of marginal cost. Despite OPEC's moves to cut production, global inventory levels remain above long-term averages, and this situation continues to weigh on prices. Should oil prices remain below US\$50 a barrel, the balance sheets of domestic energy producers will once again be in focus given reductions in cash flow. The portfolio manager continues to believe that large companies with long-life reserves and strong balance sheets should deliver attractive levels of free cash as crude prices recover to the marginal cost of production.

The large Canadian banks all delivered double-digit earnings growth in the last quarter, driven by healthy loan growth, stable net-interest margins and declining provisions for credit losses. Although bank stocks pulled back amid concerns around the housing market and newsflow around mortgage lender Home Capital Group, they are still positive on the year as a whole. While valuations are tough to predict, the banks continue to offer investors attractive dividend yields and dividend growth characteristics.

Recent Developments

Despite a slower second quarter, the Canadian economy has had a strong start to 2017. Global economic growth is expected to trend modestly higher this year and the portfolio manager's forecast has increased to 2.0% for Canada. The portfolio manager expects that Canada's path to higher interest rates will be longer and slower than in the U.S. with the Canadian economy's reliance on housing, consumer spending and energy projects remaining key points of discussion. The portfolio manager is also monitoring the potential impact of any U.S. protectionist measures on Canadian trade.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$81,000 (2016 – \$112,000), or 17% (2016 – 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	13.96	0.19	(0.13)	0.42	(0.44)	0.04	—	—	—	—	—	13.98
Dec. 31, 2016	11.75	0.37	(0.25)	0.26	1.96	2.34	—	(0.11)	—	—	(0.11)	13.96
Dec. 31, 2015	13.31	0.39	(0.26)	0.48	(1.67)	(1.06)	—	(0.06)	(0.47)	—	(0.53)	11.75
Dec. 31, 2014	12.86	0.41	(0.28)	1.43	(0.31)	1.25	—	(0.04)	(0.96)	—	(1.00)	13.31
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
Advisor Series												
June 30, 2017	13.95	0.19	(0.13)	0.42	(0.44)	0.04	—	—	—	—	—	13.98
Dec. 31, 2016	11.74	0.37	(0.25)	0.27	1.90	2.29	—	(0.11)	—	—	(0.11)	13.95
Dec. 31, 2015	13.30	0.39	(0.26)	0.48	(1.67)	(1.06)	—	(0.06)	(0.46)	—	(0.52)	11.74
Dec. 31, 2014	12.86	0.32	(0.29)	1.10	(0.24)	0.89	—	(0.04)	(0.95)	—	(0.99)	13.30
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
Series D												
June 30, 2017	14.13	0.20	(0.07)	0.43	(0.48)	0.08	—	—	—	—	—	14.21
Dec. 31, 2016	11.89	0.38	(0.14)	0.27	1.95	2.46	—	(0.23)	—	—	(0.23)	14.13
Dec. 31, 2015	13.47	0.40	(0.16)	0.48	(1.69)	(0.97)	—	(0.17)	(0.47)	—	(0.64)	11.89
Dec. 31, 2014	13.00	0.42	(0.17)	1.45	(0.32)	1.38	—	(0.16)	(0.96)	—	(1.12)	13.47
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
Series F												
June 30, 2017	14.15	0.20	(0.06)	0.43	(0.44)	0.13	—	—	—	—	—	14.25
Dec. 31, 2016	11.91	0.38	(0.11)	0.27	2.02	2.56	—	(0.27)	—	—	(0.27)	14.15
Dec. 31, 2015	13.49	0.40	(0.12)	0.48	(1.70)	(0.94)	—	(0.20)	(0.47)	—	(0.67)	11.91
Dec. 31, 2014	13.03	0.39	(0.13)	1.37	(0.30)	1.33	—	(0.21)	(0.96)	—	(1.17)	13.49
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
Series O												
June 30, 2017	14.02	0.19	—	0.42	(0.45)	0.16	—	—	—	—	—	14.18
Dec. 31, 2016	11.80	0.38	—	0.27	1.96	2.61	—	(0.38)	—	—	(0.38)	14.02
Dec. 31, 2015	13.38	0.39	—	0.47	(1.66)	(0.80)	—	(0.31)	(0.48)	—	(0.79)	11.80
Dec. 31, 2014	12.99	0.42	(0.01)	1.45	(0.32)	1.54	—	(0.40)	(0.96)	—	(1.36)	13.38
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

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.

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 A							
June 30, 2017	13.98	13 374	957	1.87	1.87	36.01	0.08
Dec. 31, 2016	13.96	15 014	1 076	1.93 ⁴	1.93	42.91	0.08
Dec. 31, 2015	11.75	9 252	787	2.03	2.03	43.12	0.09
Dec. 31, 2014	13.31	11 320	851	2.07	2.07	72.04	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
Advisor Series							
June 30, 2017	13.98	206 947	14 808	1.87	1.87	36.01	0.08
Dec. 31, 2016	13.95	223 263	16 004	1.95 ⁴	1.95	42.91	0.08
Dec. 31, 2015	11.74	216 457	18 432	2.03	2.03	43.12	0.09
Dec. 31, 2014	13.30	279 083	20 990	2.06	2.06	72.04	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
Series D							
June 30, 2017	14.21	82 322	5 792	1.02	1.02	36.01	0.08
Dec. 31, 2016	14.13	80 409	5 691	1.10 ⁴	1.10	42.91	0.08
Dec. 31, 2015	11.89	64 665	5 437	1.19	1.19	43.12	0.09
Dec. 31, 2014	13.47	70 944	5 267	1.19	1.19	72.04	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
Series F							
June 30, 2017	14.25	125 014	8 772	0.77	0.77	36.01	0.08
Dec. 31, 2016	14.15	136 240	9 630	0.85 ⁴	0.85	42.91	0.08
Dec. 31, 2015	11.91	91 336	7 667	0.94	0.94	43.12	0.09
Dec. 31, 2014	13.49	98 164	7 277	0.94	0.94	72.04	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
Series O							
June 30, 2017	14.18	748 618	52 795	0.02	0.02	36.01	0.08
Dec. 31, 2016	14.02	727 850	51 899	0.02	0.02	42.91	0.08
Dec. 31, 2015	11.80	591 951	50 166	0.04	0.04	43.12	0.09
Dec. 31, 2014	13.38	427 618	31 953	0.06	0.06	72.04	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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.87%, Advisor Series – 1.87%, Series D – 1.02% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

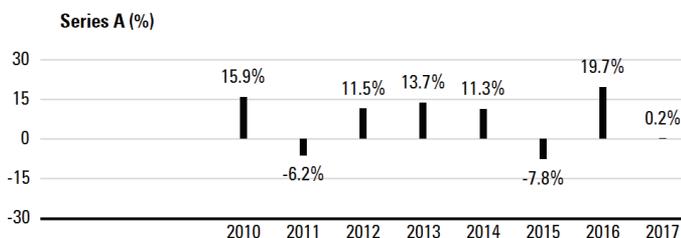
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PAST PERFORMANCE

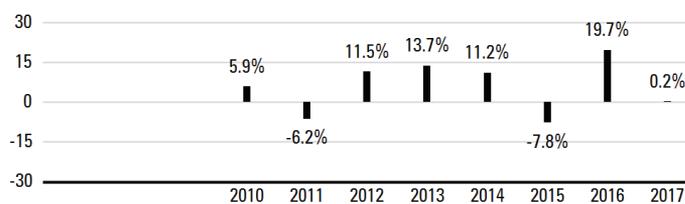
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Year-by-Year Returns (%)

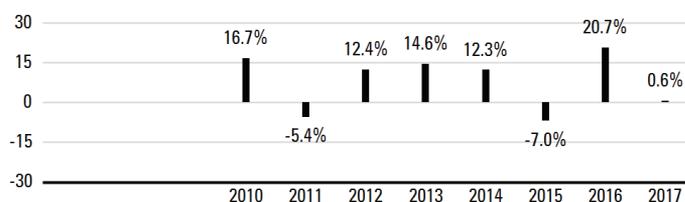
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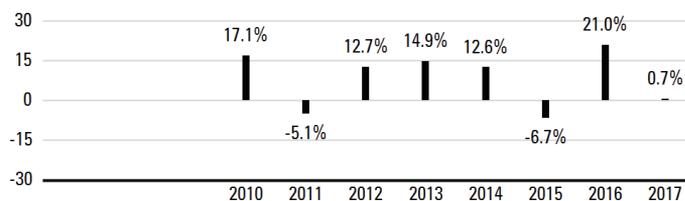
Advisor Series (%)



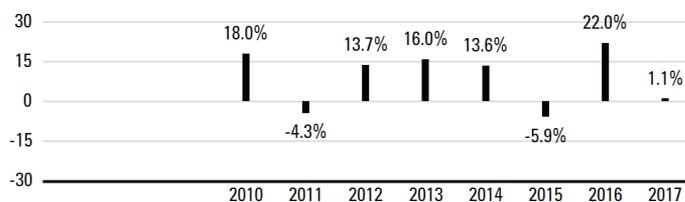
Series D (%)



Series F (%)



Series O (%)



Advisor Series units have been available for sale to unitholders since October 2010, and Series A, Series D, Series F and Series O units since December 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series C units and then immediately renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	38.6
Energy	20.2
Industrials	9.6
Materials	8.4
Consumer Staples	4.4
Consumer Discretionary	3.7
Telecommunication Services	3.3
Information Technology	2.4
Utilities	2.2
Real Estate	2.2
Health Care	0.5
Cash/Other	4.5

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.0
Toronto-Dominion Bank	6.5
Bank of Nova Scotia	5.2
Canadian National Railway Co.	4.5
Enbridge Inc.	4.4
Cash & Cash Equivalents	4.3
Suncor Energy Inc.	3.6
Bank of Montreal	3.5
Brookfield Asset Management Inc., Class A	3.3
TransCanada Corp.	3.1
Canadian Natural Resources Ltd.	2.7
Manulife Financial Corporation	2.7
Canadian Imperial Bank of Commerce	2.2
BCE Inc.	1.9
Waste Connections Inc.	1.7
Canadian Pacific Railway Ltd.	1.6
Loblaw Companies Ltd.	1.5
CGI Group Inc., Class A	1.4
Barrick Gold Corp.	1.4
Alimentation Couche-Tard Inc.	1.3
Power Corporation of Canada	1.3
Sun Life Financial Inc.	1.2
Potash Corporation of Saskatchewan Inc.	1.1
Onex Corporation	1.1
Shaw Communications Inc., Class B	1.1
Top 25 Holdings	69.6

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.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 the portfolio manager will focus primarily on larger-capitalization stocks. The portfolio manager generally invests 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 \$2.5 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units lost 0.7%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Canadian equity market delivered relatively weak returns over the first half of the year, driven by poor performance in the Financials and Energy sectors. Canadian stocks reached record highs early in the period, but fell back as oil prices declined and investors became concerned about the possibility that fallout from housing booms in Toronto and Vancouver would eventually begin to weigh on bank results.

In the Energy sector, positions in Crescent Point Energy, Cenovus Energy and Tourmaline Oil held back the Fund's relative returns. The Materials sector also weighed on performance, with a position in First Quantum Minerals having a negative impact during the period.

In the Consumer Discretionary sector, the Fund's overweight positions in Sleep Country Canada and Dollarama added significantly to returns. The Utilities sector also aided performance, with contributions from holdings in Brookfield Infrastructure Partners and Fortis Inc.

Recent Developments

The investor optimism that followed the U.S. election last November has faded somewhat with the realization that economic-policy changes under the Trump administration will take longer than anticipated to implement. As a result, the global economic outlook has worsened slightly in recent months.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives

or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions
Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$40,000 (2016 – \$139,000), or 5% (2016 – 12%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	11.76	0.15	–	0.14	(0.38)	(0.09)	–	–	–	–	–	11.68
Dec. 31, 2016	10.00	0.31	–	0.27	1.79	2.37	(0.02)	(0.32)	(0.28)	–	(0.62)	11.76
Dec. 31, 2015	11.06	0.31	–	(0.05)	(1.00)	(0.74)	–	(0.31)	–	–	(0.31)	10.00
Dec. 31, 2014	11.11	0.30	–	1.02	0.13	1.45	–	(0.32)	(1.09)	–	(1.41)	11.06
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

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.

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, 2017	11.68	2 504 674	214 526	0.02	0.02	35.20	0.06
Dec. 31, 2016	11.76	2 507 856	213 190	0.02	0.02	40.13	0.09
Dec. 31, 2015	10.00	2 387 979	238 883	0.02	0.02	29.58	0.07
Dec. 31, 2014	11.06	2 535 912	229 262	0.02	0.02	48.42	0.10
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

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.

Management Fees

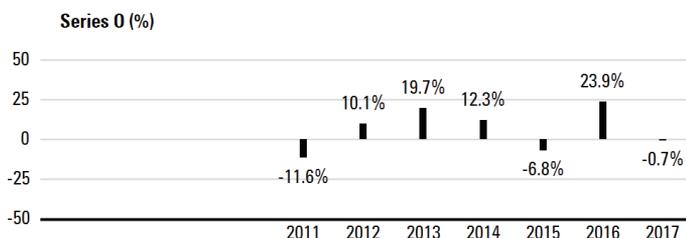
RBC GAM is the manager and portfolio manager of the Fund. No management fees are paid by the Fund with respect to Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

**PHILLIPS, HAGER & NORTH
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.



Series 0 units have been available for sale to unitholders since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	36.9
Energy	21.7
Industrials	10.0
Consumer Discretionary	8.5
Materials	8.1
Information Technology	4.0
Real Estate	3.1
Consumer Staples	3.0
Utilities	2.7
Telecommunication Services	1.7
Cash/Other	0.3

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.6
Toronto-Dominion Bank	7.3
Bank of Nova Scotia	5.5
Enbridge Inc.	5.4
Brookfield Asset Management Inc., Class A	3.9
Manulife Financial Corporation	3.4
Canadian National Railway Co.	2.9
Canadian Natural Resources Ltd.	2.9
Alimentation Couche-Tard Inc.	2.5
Waste Connections Inc.	2.1
Canadian Imperial Bank of Commerce	1.9
Tourmaline Oil Corp.	1.9
Sun Life Financial Inc.	1.7
Bank of Montreal	1.7
Fortis Inc.	1.6
Dollarama Inc.	1.6
Quebecor Inc., Class B	1.5
CGI Group Inc., Class A	1.5
ARC Resources Ltd.	1.5
Brookfield Property Partners LP	1.4
TransCanada Corp.	1.4
Canadian Pacific Railway Ltd.	1.2
Cenovus Energy Inc.	1.2
Open Text Corp.	1.2
Fairfax Financial Holdings Ltd.	1.1
Top 25 Holdings	65.9

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.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 by investing primarily in a well-diversified portfolio of Canadian common stocks.

To achieve the Fund's investment objectives the portfolio manager will focus primarily on stocks with market capitalization greater than \$1 billion. The portfolio manager generally invests 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 \$1.5 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units lost 2.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Canadian equity market delivered relatively weak returns over the first half of the year, driven by poor performance in the Financials and Energy sectors. Canadian stocks reached record highs early in the period, but fell back as oil prices declined and investors became concerned about the possibility that fallout from housing booms in Toronto and Vancouver would eventually begin to weigh on bank results.

In the Energy sector, positions in Crescent Point Energy, Cenovus Energy and Seven Generations Energy held back the Fund's relative returns. The Materials sector also weighed on performance, with a position in First Quantum Minerals having a negative impact during the period.

In the Consumer Discretionary sector, the Fund's overweight positions in Sleep Country Canada and Dollarama added significantly to returns. The Utilities sector also aided performance, with contributions from holdings in Brookfield Infrastructure Partners and Fortis Inc.

Portfolio turnover is normally high for this Fund, as the portfolio manager attempts to generate better returns through active sector and stock selection.

Recent Developments

The investor optimism that followed the U.S. election last November has faded somewhat with the realization that economic-policy changes under the Trump administration will take longer than anticipated to implement. As a result, the global economic outlook has worsened slightly in recent months.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed.

RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM, RBC IS and Royal Bank are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$71,000 (2016 – \$305,000), or 7% (2016 – 8%) 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 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 Independent Review Committee 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 II
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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	9.70	0.12	–	0.26	(0.59)	(0.21)	–	–	–	–	–	9.49
Dec. 31, 2016	8.52	0.27	–	0.33	1.42	2.02	(0.02)	(0.32)	(0.43)	–	(0.77)	9.70
Dec. 31, 2015	9.64	0.29	–	(0.10)	(1.08)	(0.89)	–	(0.15)	(0.21)	–	(0.36)	8.52
Dec. 31, 2014 ³	10.00 [†]	0.10	–	(0.03)	0.18	0.25	–	(0.04)	(0.01)	–	(0.05)	9.64

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 July 2014.

[†] 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, 2017	9.49	1 549 207	163 182	0.02	0.02	108.67	0.14
Dec. 31, 2016	9.70	1 339 928	138 170	0.02	0.02	172.58	0.37
Dec. 31, 2015	8.52	1 399 198	164 149	0.02	0.02	171.02	0.47
Dec. 31, 2014 ⁴	9.64	409 071	42 435	0.02	0.02	56.94	0.27

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 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 July 2014.

Management Fees

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

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II
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 0 units have been available for sale to unitholders since August 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	37.4
Energy	21.9
Industrials	10.6
Materials	8.9
Consumer Discretionary	6.4
Information Technology	3.4
Utilities	3.4
Consumer Staples	3.3
Real Estate	2.6
Telecommunication Services	0.7
Cash/Other	1.4

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.4
Toronto-Dominion Bank	7.1
Bank of Nova Scotia	5.7
Enbridge Inc.	5.6
Brookfield Asset Management Inc., Class A	3.9
Manulife Financial Corporation	3.5
Alimentation Couche-Tard Inc.	3.3
Canadian Natural Resources Ltd.	3.1
Canadian Pacific Railway Ltd.	2.9
Waste Connections Inc.	2.3
Quebecor Inc., Class B	2.3
Canadian Imperial Bank of Commerce	2.3
Fortis Inc.	2.2
Keyera Corp.	2.1
Sun Life Financial Inc.	2.1
Cenovus Energy Inc.	2.0
CCL Industries, Class B	2.0
Stantec Inc.	1.9
CGI Group Inc., Class A	1.8
Tourmaline Oil Corp.	1.8
Canadian National Railway Co.	1.7
Brookfield Property Partners LP	1.6
Bank of Montreal	1.5
ARC Resources Ltd.	1.4
Fairfax Financial Holdings Ltd.	1.4
Top 25 Holdings	72.9

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.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN GROWTH FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests primarily in companies that they 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 \$602 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 0.7%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Global equity markets climbed in the first half of 2017. Canadian stocks lagged as a result of weakness in the Financials and Energy sectors, which together represent more than 50% of the domestic market. U.S. stocks had a strong start to the year, mainly because of the Information Technology sector, plus Amazon and Netflix. The equity-market strength reflected the extension of the economic uptick that began in the summer of 2016, with accelerating corporate-profit growth helping to lift global equities to new highs. Expectations for pro-growth economic-policy changes under President Trump were tempered, as the U.S. president grappled with a more difficult political landscape than was anticipated.

The best relative-performing sectors in the Fund were Industrials, Information Technology, and Real Estate. Energy, Health Care and Telecommunication Services sectors underperformed relative to the benchmark.

The Fund benefited relative to its benchmark from its positions in Shopify, StorageVault Canada and UrtheCast. The portfolio manager's decision not to invest in Encana and Seven Generations Energy also contributed to performance relative to the benchmark.

The portfolio manager remained active during the first half of the year, adding or increasing the weights of a number of names, while eliminating and trimming others. Investments added to the portfolio included Element Fleet Management, Trican Well Service (acquired Canyon Services Group), Parkland Fuel, SNC-Lavalin and Trisura Group (spun off from Brookfield Asset Management). Eliminated were positions in Aecon, Canyon Services Group (acquired by Trican), Crius Energy, Methanex, Milestone Apartments REIT (acquired by Starwood Capital), Mood Media, Norbord and TransAlta Renewables.

Recent Developments

The bulk of equity gains in recent quarters has been driven by an acceleration in corporate profits, which are growing at their fastest pace in the post-crisis era. While stocks in the U.S. are not as cheap as when the bull market began eight years ago, it would not be unreasonable to expect further gains as long as profits continue to rise. On the other hand, equities in Canada remain attractively priced.

In the U.S., the U.S. Federal Reserve has hiked short-term interest rates twice so far in 2017, while the Bank of Canada has signalled its intent to raise interest rates soon given a stronger Canadian economy. President Trump's economic proposals have so far not received Congressional approval, and any that do will likely not be as ambitious as investors had hoped.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank

accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM, RBC IS and Royal Bank are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$46,000 (2016 – \$19,000), or 29% (2016 – 7%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	36.31	0.49	(0.34)	0.57	(0.79)	(0.07)	—	—	—	—	—	36.24
Dec. 31, 2016	30.93	0.99	(0.63)	0.72	4.39	5.47	—	(0.33)	—	—	(0.33)	36.31
Dec. 31, 2015	33.47	0.91	(0.67)	(0.25)	(2.54)	(2.55)	—	(0.14)	—	—	(0.14)	30.93
Dec. 31, 2014	31.23	0.87	(0.68)	1.79	0.86	2.84	—	(0.24)	—	—	(0.24)	33.47
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
Advisor Series												
June 30, 2017	36.31	0.50	(0.34)	0.57	(0.85)	(0.12)	—	—	—	—	—	36.26
Dec. 31, 2016	30.94	0.99	(0.64)	0.72	4.66	5.73	—	(0.33)	—	—	(0.33)	36.31
Dec. 31, 2015	33.47	0.91	(0.67)	(0.25)	(2.52)	(2.53)	—	(0.14)	—	—	(0.14)	30.94
Dec. 31, 2014	31.22	0.87	(0.68)	1.79	0.86	2.84	—	(0.24)	—	—	(0.24)	33.47
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
Series D												
June 30, 2017	35.87	0.49	(0.19)	0.57	(0.75)	0.12	—	—	—	—	—	35.96
Dec. 31, 2016	30.57	0.98	(0.36)	0.71	4.54	5.87	—	(0.62)	—	—	(0.62)	35.87
Dec. 31, 2015	33.07	0.90	(0.39)	(0.25)	(2.52)	(2.26)	—	(0.39)	—	—	(0.39)	30.57
Dec. 31, 2014	30.83	0.86	(0.40)	1.77	0.85	3.08	—	(0.49)	—	—	(0.49)	33.07
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
Series F												
June 30, 2017	36.10	0.49	(0.14)	0.57	(0.80)	0.12	—	—	—	—	—	36.24
Dec. 31, 2016	30.76	0.99	(0.27)	0.72	5.31	6.75	—	(0.73)	—	—	(0.73)	36.10
Dec. 31, 2015	33.28	0.91	(0.30)	(0.25)	(2.53)	(2.17)	—	(0.49)	—	—	(0.49)	30.76
Dec. 31, 2014	31.03	0.87	(0.30)	1.78	0.86	3.21	—	(0.59)	—	—	(0.59)	33.28
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
Series O												
June 30, 2017	36.81	0.50	(0.01)	0.58	(0.82)	0.25	—	—	—	—	—	37.08
Dec. 31, 2016	31.35	1.01	(0.02)	0.73	4.81	6.53	—	(1.02)	—	—	(1.02)	36.81
Dec. 31, 2015	33.93	0.93	(0.02)	(0.25)	(2.58)	(1.92)	—	(0.78)	—	—	(0.78)	31.35
Dec. 31, 2014	31.64	0.89	(0.02)	1.82	0.88	3.57	—	(0.89)	—	—	(0.89)	33.93
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

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.

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 A							
June 30, 2017	36.24	2 198	61	1.83	1.83	19.90	0.05
Dec. 31, 2016	36.31	2 205	61	1.92 ⁴	1.92	27.48	0.06
Dec. 31, 2015	30.93	2 499	81	2.00	2.00	30.74	0.07
Dec. 31, 2014	33.47	3 037	91	2.01	2.01	41.63	0.08
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
Advisor Series							
June 30, 2017	36.26	57	2	1.84	1.84	19.90	0.05
Dec. 31, 2016	36.31	170	5	1.91 ⁴	1.91	27.48	0.06
Dec. 31, 2015	30.94	186	6	2.00	2.00	30.74	0.07
Dec. 31, 2014	33.47	155	5	2.01	2.01	41.63	0.08
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
Series D							
June 30, 2017	35.96	114 313	3 179	1.03	1.03	19.90	0.05
Dec. 31, 2016	35.87	119 163	3 322	1.10 ⁴	1.10	27.48	0.06
Dec. 31, 2015	30.57	112 805	3 691	1.19	1.19	30.74	0.07
Dec. 31, 2014	33.07	134 270	4 061	1.19	1.19	41.63	0.08
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
Series F							
June 30, 2017	36.24	1 853	51	0.74	0.74	19.90	0.05
Dec. 31, 2016	36.10	1 594	44	0.81 ⁴	0.81	27.48	0.06
Dec. 31, 2015	30.76	551	18	0.90	0.90	30.74	0.07
Dec. 31, 2014	33.28	437	13	0.89	0.89	41.63	0.08
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
Series O							
June 30, 2017	37.08	483 701	13 045	0.04	0.04	19.90	0.05
Dec. 31, 2016	36.81	453 111	12 310	0.04	0.04	27.48	0.06
Dec. 31, 2015	31.35	393 664	12 555	0.04	0.04	30.74	0.07
Dec. 31, 2014	33.93	314 503	9 268	0.04	0.04	41.63	0.08
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.83%, Advisor Series – 1.83%, Series D – 1.02% and Series F – 0.74%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

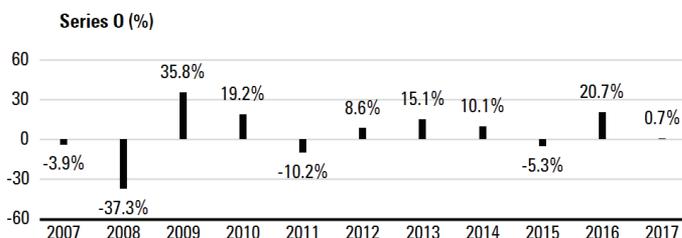
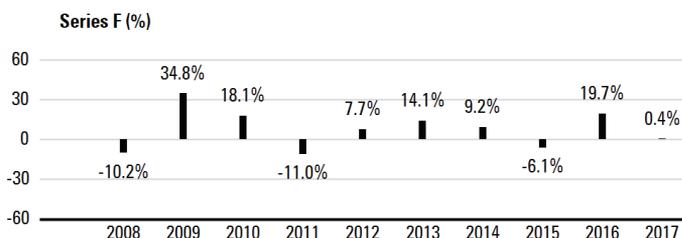
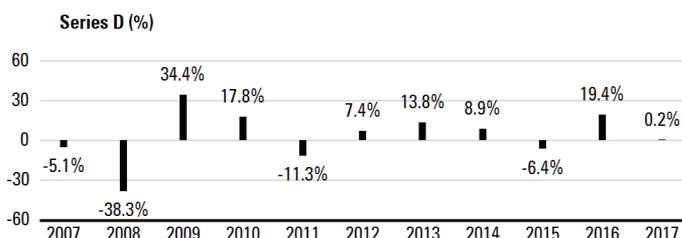
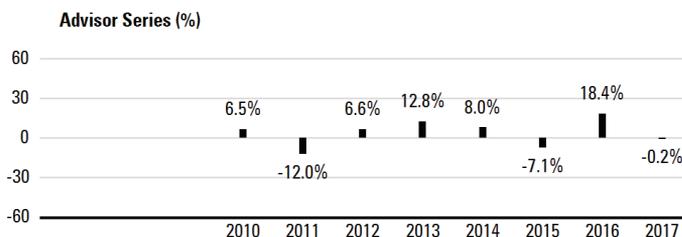
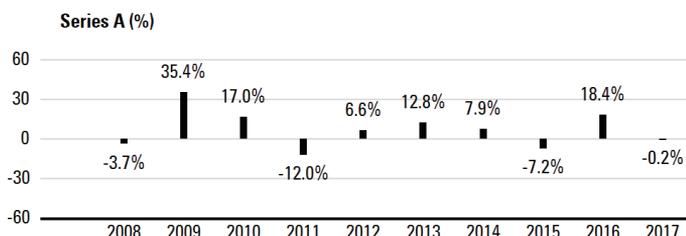
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



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All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	34.3
Energy	20.5
Materials	9.9
Industrials	9.1
Consumer Discretionary	6.2
Consumer Staples	4.2
Information Technology	3.2
Telecommunication Services	3.2
Real Estate	2.7
Utilities	2.4
Health Care	0.6
Cash/Other	3.7

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.3
Toronto-Dominion Bank	6.0
Canadian National Railway Co.	5.3
Bank of Nova Scotia	5.2
Enbridge Inc.	3.6
Cash & Cash Equivalents	3.5
Suncor Energy Inc.	3.2
Bank of Montreal	3.2
TransCanada Corp.	2.8
Canadian Imperial Bank of Commerce	2.4
Manulife Financial Corporation	2.3
Canadian Natural Resources Ltd.	2.2
BCE Inc.	2.1
Brookfield Asset Management Inc., Class A	2.1
Magna International Inc., Class A	1.6
Power Corporation of Canada	1.4
Canadian Pacific Railway Ltd.	1.3
Loblaw Companies Ltd.	1.2
Sun Life Financial Inc.	1.2
Waste Connections Inc.	1.2
Alimentation Couche-Tard Inc.	1.1
CGI Group Inc., Class A	1.1
Rogers Communications Inc., Class B	1.1
Potash Corporation of Saskatchewan Inc.	1.0
Agnico Eagle Mines Ltd.	1.0
Top 25 Holdings	64.4

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.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN INCOME FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$932 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 0.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Fund made monthly distributions of 3.30 cents per Series O unit in the first half of 2017.

The Canadian equity market delivered relatively weak returns over the first half of the year, driven by poor performance in the Financials and Energy sectors. Canadian stocks reached record highs early in the period, but fell back as oil prices declined and investors became concerned about the possibility that fallout from housing booms in Toronto and Vancouver would eventually begin to weigh on bank results.

In the Energy sector, positions in Crescent Point Energy, Cenovus Energy and Seven Generations Energy held back the Fund's relative returns. The Materials sector also weighed on performance, with a position in First Quantum Minerals having a negative impact during the period.

In the Consumer Discretionary sector, the Fund's overweight position in Dollarama added significantly to returns. The Utilities sector also aided performance, with contributions from holdings in Brookfield Infrastructure Partners and Fortis Inc.

Portfolio turnover is normally high for this Fund, as the portfolio manager attempts to generate better returns through active sector and stock selection.

Recent Developments

The investor optimism that followed the U.S. election last November has faded somewhat with the realization that economic-policy changes under the Trump administration will take longer than anticipated to implement. As a result, the global economic outlook has worsened slightly in recent months.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$47,000 (2016 – \$162,000), or 7% (2016 – 8%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	15.61	0.22	(0.15)	0.58	(0.75)	(0.10)	—	(0.07)	—	—	(0.07)	15.43
Dec. 31, 2016	13.05	0.45	(0.27)	0.33	2.15	2.66	—	(0.21)	—	—	(0.21)	15.61
Dec. 31, 2015	14.35	0.49	(0.28)	(0.68)	(0.76)	(1.23)	—	(0.09)	—	—	(0.09)	13.05
Dec. 31, 2014	13.52	0.61	(0.30)	1.17	(0.88)	0.60	—	(0.11)	(0.01)	—	(0.12)	14.35
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
Advisor Series												
June 30, 2017	15.61	0.22	(0.15)	0.58	(0.74)	(0.09)	—	(0.07)	—	—	(0.07)	15.43
Dec. 31, 2016	13.05	0.45	(0.28)	0.33	2.23	2.73	—	(0.21)	—	—	(0.21)	15.61
Dec. 31, 2015	14.35	0.49	(0.28)	(0.68)	(0.76)	(1.23)	—	(0.09)	—	—	(0.09)	13.05
Dec. 31, 2014	13.52	0.61	(0.30)	1.16	(0.87)	0.60	—	(0.11)	(0.01)	—	(0.12)	14.35
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
Series D												
June 30, 2017	15.59	0.22	(0.08)	0.58	(0.76)	(0.04)	—	(0.13)	—	—	(0.13)	15.40
Dec. 31, 2016	13.04	0.45	(0.16)	0.33	2.23	2.85	(0.01)	(0.33)	—	—	(0.34)	15.59
Dec. 31, 2015	14.31	0.49	(0.17)	(0.68)	(0.76)	(1.12)	—	(0.17)	—	—	(0.17)	13.04
Dec. 31, 2014	13.47	0.62	(0.17)	1.18	(0.88)	0.75	—	(0.22)	(0.01)	—	(0.23)	14.31
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
Series F												
June 30, 2017	15.60	0.22	(0.06)	0.58	(0.81)	(0.07)	—	(0.17)	—	—	(0.17)	15.40
Dec. 31, 2016	13.06	0.45	(0.12)	0.33	1.95	2.61	(0.01)	(0.39)	—	—	(0.40)	15.60
Dec. 31, 2015	14.34	0.48	(0.13)	(0.67)	(0.75)	(1.07)	—	(0.21)	—	—	(0.21)	13.06
Dec. 31, 2014	13.52	0.60	(0.14)	1.13	(0.85)	0.74	—	(0.28)	(0.01)	—	(0.29)	14.34
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
Series O												
June 30, 2017	15.45	0.22	(0.01)	0.58	(0.77)	0.02	—	(0.20)	—	—	(0.20)	15.28
Dec. 31, 2016	12.91	0.44	(0.01)	0.33	2.20	2.96	(0.01)	(0.46)	—	—	(0.47)	15.45
Dec. 31, 2015	14.30	0.48	(0.01)	(0.67)	(0.75)	(0.95)	(0.01)	(0.44)	—	—	(0.45)	12.91
Dec. 31, 2014	13.42	0.38	(0.01)	0.72	(0.54)	0.55	—	(0.35)	(0.01)	—	(0.36)	14.30
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

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.

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 A							
June 30, 2017	15.43	4 021	261	1.86	1.86	100.47	0.15
Dec. 31, 2016	15.61	4 698	301	1.94 ⁴	1.94	146.47	0.33
Dec. 31, 2015	13.05	4 880	374	2.03	2.03	207.29	0.48
Dec. 31, 2014	14.35	6 152	429	2.03	2.03	169.49	0.46
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
Advisor Series							
June 30, 2017	15.43	952	62	1.86	1.86	100.47	0.15
Dec. 31, 2016	15.61	1 049	67	1.94 ⁴	1.94	146.47	0.33
Dec. 31, 2015	13.05	939	72	2.03	2.03	207.29	0.48
Dec. 31, 2014	14.35	1 334	93	2.03	2.03	169.49	0.46
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
Series D							
June 30, 2017	15.40	60 687	3 940	1.03	1.03	100.47	0.15
Dec. 31, 2016	15.59	62 851	4 033	1.11 ⁴	1.11	146.47	0.33
Dec. 31, 2015	13.04	57 305	4 395	1.19	1.19	207.29	0.48
Dec. 31, 2014	14.31	75 124	5 251	1.19	1.19	169.49	0.46
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
Series F							
June 30, 2017	15.40	1 699	110	0.78	0.78	100.47	0.15
Dec. 31, 2016	15.60	1 361	87	0.85 ⁴	0.85	146.47	0.33
Dec. 31, 2015	13.06	1 265	97	0.93	0.93	207.29	0.48
Dec. 31, 2014	14.34	938	65	0.96	0.96	169.49	0.46
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
Series O							
June 30, 2017	15.28	864 987	56 624	0.07	0.07	100.47	0.15
Dec. 31, 2016	15.45	865 635	56 030	0.07	0.07	146.47	0.33
Dec. 31, 2015	12.91	920 098	71 280	0.07	0.07	207.29	0.48
Dec. 31, 2014	14.30	754 281	52 761	0.07	0.07	169.49	0.46
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.86%, Advisor Series – 1.86%, Series D – 1.03% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

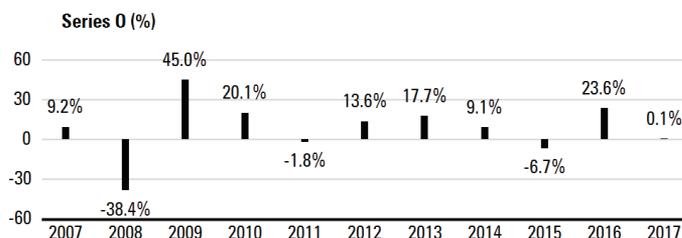
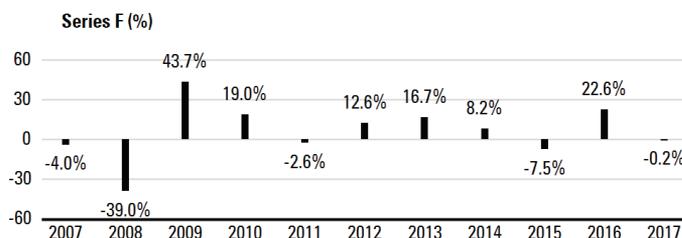
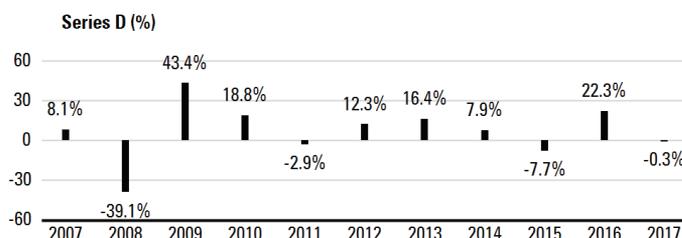
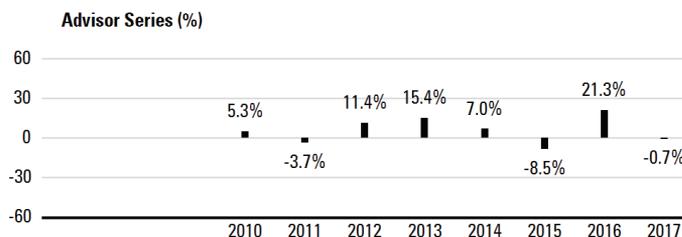
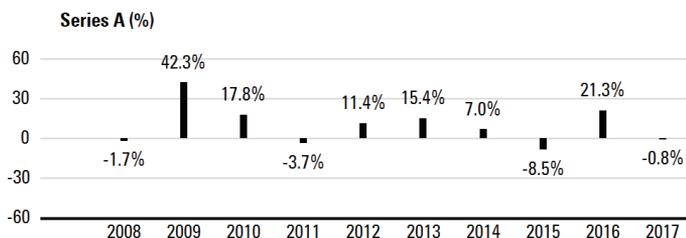
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



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All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	41.6
Energy	20.5
Industrials	9.6
Consumer Discretionary	7.2
Materials	5.3
Utilities	3.9
Real Estate	3.1
Consumer Staples	3.0
Canadian Bonds	2.0
Information Technology	1.8
Telecommunication Services	1.1
Cash/Other	0.9

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	8.5
Royal Bank of Canada	8.1
Enbridge Inc.	6.6
Bank of Nova Scotia	6.3
Brookfield Asset Management Inc., Class A	4.0
Canadian Imperial Bank of Commerce	3.5
Manulife Financial Corporation	3.1
Alimentation Couche-Tard Inc.	3.0
Quebecor Inc., Class B	2.7
Waste Connections Inc.	2.5
Keyera Corp.	2.3
Sun Life Financial Inc.	2.1
Stantec Inc.	2.0
Bank of Montreal	2.0
Fortis Inc.	2.0
Canadian Pacific Railway Ltd.	1.8
Cenovus Energy Inc.	1.7
Brookfield Property Partners LP	1.7
Dollarama Inc.	1.7
Canadian Natural Resources Ltd.	1.6
CCL Industries, Class B	1.6
Canadian National Railway Co.	1.5
Fairfax Financial Holdings Ltd.	1.5
ARC Resources Ltd.	1.4
Crescent Point Energy Corp.	1.4
Top 25 Holdings	74.6

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.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
VINTAGE FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 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, the portfolio manager focuses 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 \$63 million as of June 30, 2017.

Over the past six months, the Fund's Series O units lost 0.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Canadian equity market delivered relatively weak returns over the first half of the year, driven by poor performance in the Financials and Energy sectors. Canadian stocks reached record highs early in the period, but fell back as oil prices declined and investors became concerned about the possibility that fallout from housing booms in Toronto and Vancouver would eventually begin to weigh on bank results.

In the Energy sector, positions in Crescent Point Energy and Cenovus Energy held back the Fund's relative returns. The Financials sector also weighed on performance, with a position in Home Capital Group having a negative impact during the period.

In the Consumer Discretionary sector, the Fund's overweight position in Sleep Country Canada added significantly to returns. The Materials sector also aided performance, with a contribution from a holding in CCL Industries.

Recent Developments

The investor optimism that followed the U.S. election last November has faded somewhat with the realization that economic-policy changes under the Trump administration will take longer than anticipated to implement. As a result, the global economic outlook has worsened slightly in recent months.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund's risk rating changed from medium to medium-to-high.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$2,000 (2016 – \$4,000), or 5% (2016 – 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	29.64	0.32	(0.32)	1.11	(1.37)	(0.26)	—	—	—	—	—	29.29
Dec. 31, 2016	24.41	0.64	(0.59)	0.59	4.43	5.07	—	—	—	—	—	29.64
Dec. 31, 2015	27.22	0.70	(0.61)	0.30	(3.39)	(3.00)	—	—	—	—	—	24.41
Dec. 31, 2014	24.50	0.57	(0.62)	3.34	(0.73)	2.56	—	—	—	—	—	27.22
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
Advisor Series												
June 30, 2017	29.68	0.32	(0.32)	1.11	(1.54)	(0.43)	—	—	—	—	—	29.33
Dec. 31, 2016	24.44	0.65	(0.59)	0.59	4.60	5.25	—	—	—	—	—	29.68
Dec. 31, 2015	27.25	0.70	(0.61)	0.30	(3.38)	(2.99)	—	—	—	—	—	24.44
Dec. 31, 2014	24.53	0.56	(0.63)	3.31	(0.72)	2.52	—	—	—	—	—	27.25
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
Series D												
June 30, 2017	30.83	0.33	(0.20)	1.15	(1.51)	(0.23)	—	—	—	—	—	30.60
Dec. 31, 2016	25.37	0.67	(0.38)	0.61	4.72	5.62	—	(0.24)	—	—	(0.24)	30.83
Dec. 31, 2015	28.25	0.73	(0.41)	0.32	(3.53)	(2.89)	—	(0.17)	—	—	(0.17)	25.37
Dec. 31, 2014	25.26	0.60	(0.40)	3.52	(0.77)	2.95	—	(0.06)	—	—	(0.06)	28.25
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
Series F												
June 30, 2017	32.05	0.35	(0.17)	1.20	(1.43)	(0.05)	—	—	—	—	—	31.85
Dec. 31, 2016	26.37	0.69	(0.32)	0.63	4.59	5.59	—	(0.33)	—	—	(0.33)	32.05
Dec. 31, 2015	29.37	0.75	(0.36)	0.33	(3.65)	(2.93)	—	(0.24)	—	—	(0.24)	26.37
Dec. 31, 2014	26.25	0.61	(0.35)	3.57	(0.78)	3.05	—	(0.12)	—	—	(0.12)	29.37
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
Series O												
June 30, 2017	33.52	0.36	(0.01)	1.26	(1.70)	(0.09)	—	—	—	—	—	33.47
Dec. 31, 2016	27.56	0.74	(0.02)	0.67	5.47	6.86	—	(0.67)	—	—	(0.67)	33.52
Dec. 31, 2015	30.70	0.79	(0.02)	0.34	(3.83)	(2.72)	—	(0.58)	—	—	(0.58)	27.56
Dec. 31, 2014	27.42	0.65	(0.02)	3.82	(0.84)	3.61	—	(0.46)	—	—	(0.46)	30.70
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

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.

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 A							
June 30, 2017	29.29	1 413	48	2.14	2.14	65.11	0.13
Dec. 31, 2016	29.64	1 702	57	2.23 ⁴	2.23	52.97	0.11
Dec. 31, 2015	24.41	1 781	73	2.27	2.28	41.32	0.11
Dec. 31, 2014	27.22	2 160	79	2.29	2.30	59.45	0.11
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
Advisor Series							
June 30, 2017	29.33	829	28	2.14	2.14	65.11	0.13
Dec. 31, 2016	29.68	797	27	2.22 ⁴	2.22	52.97	0.11
Dec. 31, 2015	24.44	453	19	2.27	2.28	41.32	0.11
Dec. 31, 2014	27.25	500	18	2.29	2.30	59.45	0.11
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
Series D							
June 30, 2017	30.60	33 526	1 096	1.29	1.29	65.11	0.13
Dec. 31, 2016	30.83	34 976	1 134	1.37 ⁴	1.37	52.97	0.11
Dec. 31, 2015	25.37	31 096	1 226	1.45	1.46	41.32	0.11
Dec. 31, 2014	28.25	37 446	1 326	1.45	1.46	59.45	0.11
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
Series F							
June 30, 2017	31.85	726	23	1.06	1.06	65.11	0.13
Dec. 31, 2016	32.05	987	31	1.14 ⁴	1.14	52.97	0.11
Dec. 31, 2015	26.37	2 585	98	1.22	1.23	41.32	0.11
Dec. 31, 2014	29.37	1 685	57	1.19	1.20	59.45	0.11
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
Series O							
June 30, 2017	33.47	26 649	796	0.07	0.07	65.11	0.13
Dec. 31, 2016	33.52	23 929	714	0.07	0.07	52.97	0.11
Dec. 31, 2015	27.56	16 583	602	0.06	0.07	41.32	0.11
Dec. 31, 2014	30.70	8 741	285	0.06	0.07	59.45	0.11
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.14%, Advisor Series – 2.14%, Series D – 1.29% and Series F – 1.02%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.85%	50%	50%
Advisor Series	1.85%	50%	50%
Series D	1.10%	20%	80%
Series F	0.85%	—	100%

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

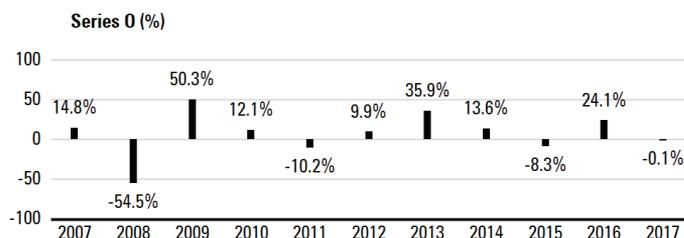
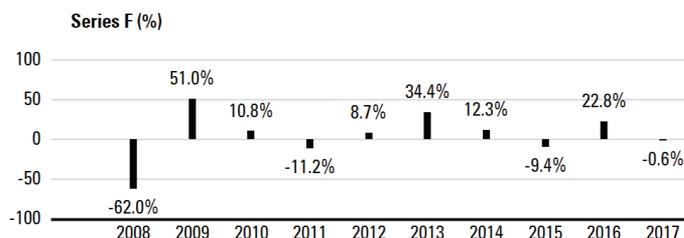
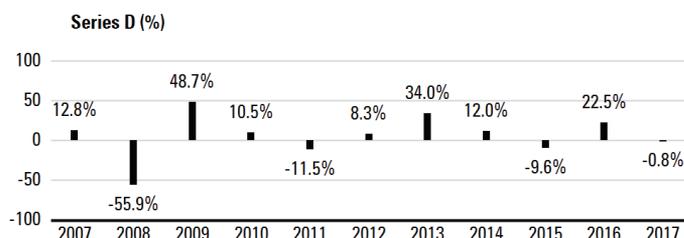
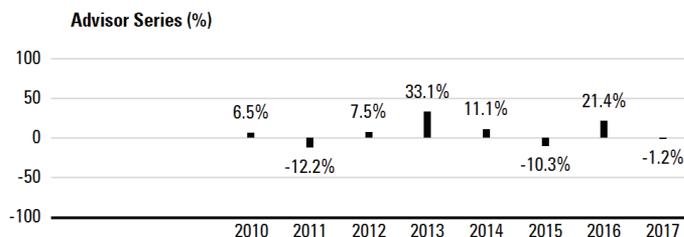
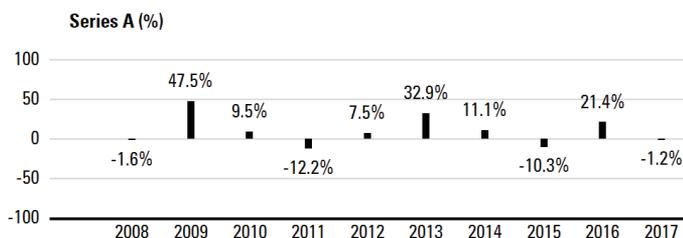
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2008.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Financials	34.0
Energy	17.6
Industrials	14.2
Consumer Discretionary	11.4
Materials	6.3
Information Technology	5.5
Consumer Staples	4.7
Utilities	2.4
Real Estate	2.0
Cash/Other	1.9

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	7.1
Royal Bank of Canada	7.1
Bank of Nova Scotia	5.5
Enbridge Inc.	5.4
Brookfield Asset Management Inc., Class A	4.1
Badger Daylighting Ltd.	3.7
Quebecor Inc., Class B	3.7
Alimentation Couche-Tard Inc.	3.4
Stantec Inc.	2.9
Canadian Natural Resources Ltd.	2.7
Manulife Financial Corporation	2.3
CCL Industries, Class B	2.0
Boyd Group Income Fund	1.9
Cash & Cash Equivalents	1.8
Fairfax Financial Holdings Ltd.	1.8
Tourmaline Oil Corp.	1.7
Dollarama Inc.	1.6
Bank of Montreal	1.6
Sleep Country Canada Holdings Inc.	1.6
Canadian Pacific Railway Ltd.	1.5
Franco-Nevada Corp.	1.5
Open Text Corp.	1.4
Waste Connections Inc.	1.4
CGI Group Inc., Class A	1.4
Thomson Corp.	1.4
Top 25 Holdings	70.5

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.rbcgam.com/funds, or by emailing us at info@phn.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
U.S. DIVIDEND INCOME FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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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 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, the portfolio manager invests 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 \$208 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 5.2%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. stocks posted gains during the first half of 2017, driven by improvement in most global economies and a continued rebound in corporate profits. The strong macroeconomic backdrop overcame dwindling prospects for President Trump's promised package of tax reform, higher infrastructure spending and regulatory rollbacks. The expanding economy led the U.S. Federal Reserve (the "Fed") to raise interest rates twice during the period, for a total half a percentage point, boosting the benchmark Fed interest rate to 1%. The Fed also said it plans to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary economic stimulus in place since the financial crisis.

The Consumer Discretionary, Consumer Staples, Industrials and Utilities sectors were the best-performing sectors in the Fund during the first half of 2017. Strong stock selection in the Information Technology sector also contributed to the Fund's relative returns. In the Consumer Discretionary sector, a re-acceleration in sales at McDonald's pushed up the share price and auto-parts supplier, Delphi, climbed following the decision to spin off its power-train business to focus on higher-tech businesses. In the Consumer Staples sector, steady earnings and dividend growth drove Philip Morris to an all-time high, and in the Industrials sector, steady air-traffic growth and solid manufacturing execution helped Boeing produce better-than-expected results.

Performance was hurt by the Fund's overweight position in the Financials sector, where falling interest rates hurt investment returns and reduced profitability from lending. The Fund was also hurt by positions in energy producers Chevron and Phillips 66, which were hurt by falling energy prices, and LyondellBasell, which in a falling-price environment can't charge as much for the oil derivatives that go into making plastics.

Recent Developments

In the portfolio manager's opinion, the stock market is fairly priced given current interest rates and inflation, but is attractive relative to fixed income. Recent economic data suggests the global economy is still expanding, slowly and from a low level. Credit conditions remain highly supportive of the economy and the market, and risks of a recession appear low. Corporate earnings growth will need to endure to sustain the stock-market rally, in the view of the portfolio manager. As long as growth prospects improve, and interest rates and the price of oil move higher, the market will likely continue to make new highs. But investors should expect more modest returns, or even losses, in the second half of 2017 if the growth outlook fades and interest rates and the oil price head lower.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank

accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$2,000 (2016 – \$19,000), or 4% (2016 – 21%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	14.30	0.17	(0.14)	0.36	0.21	0.60	—	—	—	—	—	14.91
Dec. 31, 2016	13.52	0.34	(0.26)	1.57	(0.54)	1.11	—	(0.08)	(0.30)	—	(0.38)	14.30
Dec. 31, 2015	12.08	0.41	(0.26)	1.37	0.06	1.58	—	(0.15)	—	—	(0.15)	13.52
Dec. 31, 2014	10.26	0.30	(0.23)	1.56	0.24	1.87	—	(0.07)	—	—	(0.07)	12.08
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
Advisor Series												
June 30, 2017	14.30	0.17	(0.14)	0.36	0.24	0.63	—	—	—	—	—	14.91
Dec. 31, 2016	13.52	0.34	(0.26)	1.57	(0.62)	1.03	—	(0.08)	(0.30)	—	(0.38)	14.30
Dec. 31, 2015	12.08	0.41	(0.26)	1.37	0.06	1.58	—	(0.15)	—	—	(0.15)	13.52
Dec. 31, 2014	10.26	0.30	(0.23)	1.56	0.24	1.87	—	(0.07)	—	—	(0.07)	12.08
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
Series D												
June 30, 2017	14.20	0.17	(0.08)	0.36	0.21	0.66	—	—	—	—	—	14.86
Dec. 31, 2016	13.43	0.34	(0.15)	1.56	(0.53)	1.22	—	(0.21)	(0.31)	—	(0.52)	14.20
Dec. 31, 2015	12.01	0.41	(0.15)	1.37	0.06	1.69	—	(0.27)	—	—	(0.27)	13.43
Dec. 31, 2014	10.20	0.30	(0.13)	1.56	0.24	1.97	—	(0.17)	—	—	(0.17)	12.01
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
Series F												
June 30, 2017	14.15	0.17	(0.06)	0.36	0.21	0.68	—	—	—	—	—	14.83
Dec. 31, 2016	13.40	0.34	(0.11)	1.56	(0.36)	1.43	—	(0.25)	(0.31)	—	(0.56)	14.15
Dec. 31, 2015	11.98	0.41	(0.12)	1.37	0.06	1.72	—	(0.30)	—	—	(0.30)	13.40
Dec. 31, 2014	10.17	0.30	(0.10)	1.56	0.24	2.00	—	(0.20)	—	—	(0.20)	11.98
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
Series O												
June 30, 2017	14.21	0.17	(0.01)	0.36	0.25	0.77	—	—	—	—	—	14.94
Dec. 31, 2016	13.44	0.34	(0.01)	1.57	(0.54)	1.36	—	(0.35)	(0.31)	—	(0.66)	14.21
Dec. 31, 2015	12.02	0.41	(0.01)	1.37	0.06	1.83	—	(0.43)	—	—	(0.43)	13.44
Dec. 31, 2014	10.21	0.30	(0.01)	1.57	0.24	2.10	—	(0.30)	—	—	(0.30)	12.02
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

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.

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 A							
June 30, 2017	14.91	13 638	915	1.87	1.87	70.27	0.05
Dec. 31, 2016	14.30	13 461	941	1.95 ⁴	1.95	96.36	0.08
Dec. 31, 2015	13.52	12 974	959	2.04	2.04	76.34	0.07
Dec. 31, 2014	12.08	11 575	958	2.05	2.05	47.76	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
Advisor Series							
June 30, 2017	14.91	11 957	802	1.87	1.87	70.27	0.05
Dec. 31, 2016	14.30	11 523	806	1.95 ⁴	1.95	96.36	0.08
Dec. 31, 2015	13.52	12 585	931	2.04	2.04	76.34	0.07
Dec. 31, 2014	12.08	11 345	939	2.05	2.05	47.76	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
Series D							
June 30, 2017	14.86	83 273	5 603	1.03	1.03	70.27	0.05
Dec. 31, 2016	14.20	78 706	5 544	1.10 ⁴	1.10	96.36	0.08
Dec. 31, 2015	13.43	78 132	5 816	1.19	1.19	76.34	0.07
Dec. 31, 2014	12.01	68 368	5 694	1.19	1.19	47.76	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
Series F							
June 30, 2017	14.83	11 827	797	0.76	0.76	70.27	0.05
Dec. 31, 2016	14.15	10 012	708	0.85 ⁴	0.85	96.36	0.08
Dec. 31, 2015	13.40	7 349	548	0.94	0.94	76.34	0.07
Dec. 31, 2014	11.98	4 597	384	0.94	0.94	47.76	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
Series O							
June 30, 2017	14.94	87 715	5 870	0.08	0.08	70.27	0.05
Dec. 31, 2016	14.21	87 618	6 167	0.08	0.08	96.36	0.08
Dec. 31, 2015	13.44	90 426	6 729	0.08	0.08	76.34	0.07
Dec. 31, 2014	12.02	94 196	7 837	0.08	0.08	47.76	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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.87%, Advisor Series – 1.87%, Series D – 1.02% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

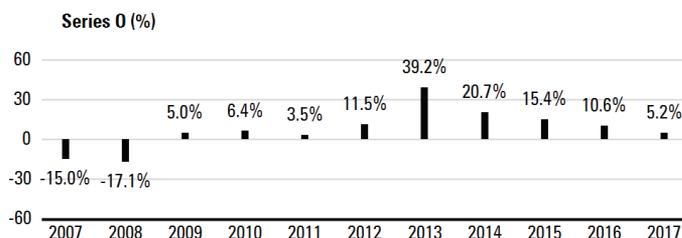
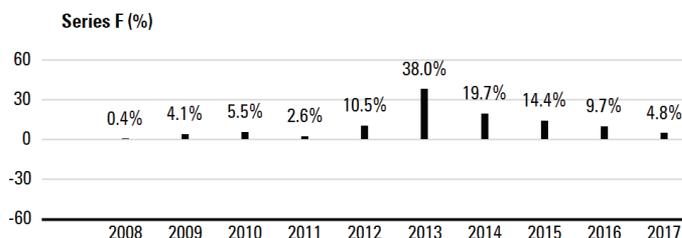
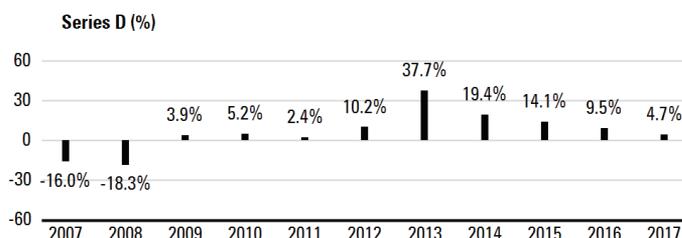
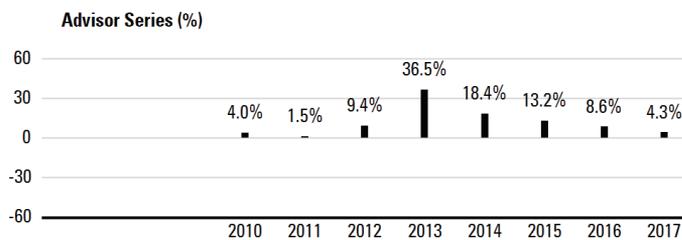
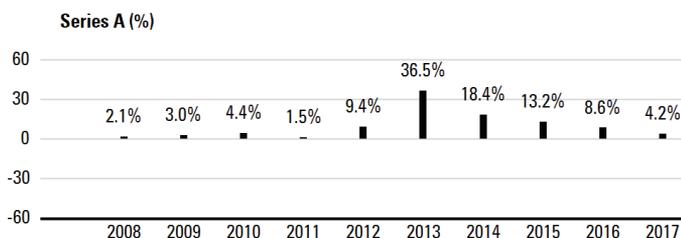
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since October 2008.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO*(after consideration of derivative products, if any)**As at June 30, 2017***Investment Mix**

	% of Net Asset Value
Financials	17.3
Information Technology	17.3
Health Care	16.8
Consumer Staples	11.4
Industrials	10.9
Energy	7.3
Consumer Discretionary	6.8
Utilities	4.7
Materials	3.1
Telecommunication Services	1.7
Real Estate	0.8
Cash/Other	1.9

Top 25 Holdings

	% of Net Asset Value
Johnson & Johnson	4.6
Apple Inc.	4.6
Microsoft Corp.	4.3
UnitedHealth Group Incorporated	3.8
Philip Morris International Inc.	3.0
Altria Group Inc.	3.0
PepsiCo Inc.	2.9
Chevron Corp.	2.8
McDonald's Corp.	2.5
JPMorgan Chase & Co.	2.5
Bank of America Corp.	2.5
CVS Health Corp.	2.4
Cardinal Health Inc.	2.3
Cisco Systems Inc.	2.2
Medtronic Plc.	2.2
NextEra Energy Inc.	2.0
Pfizer Inc.	2.0
Comcast Corp., Class A	2.0
Merck & Co. Inc.	1.9
Delphi Automotive Plc.	1.8
Cash & Cash Equivalents	1.8
Dow Chemical Company	1.7
Citigroup Inc.	1.6
Boeing Co.	1.6
Intel Corp.	1.5
Top 25 Holdings	63.5

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.rbcgam.com/funds, 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, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

Sub-Advisor: RBC Global Asset Management (U.S.) Inc.

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$5.0 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 4.7%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump's pro-growth policies also helped to bolster U.S. financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated. During the period, the U.S. Federal Reserve (the "Fed") increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus in place since the financial crisis.

The QUBE U.S. Mid Cap Growth sleeve outperformed during the period. Stock selection in the Consumer Discretionary and Materials sectors contributed positively to performance. From a sector-allocation standpoint, an underweight in the Materials and Health Care sectors benefited the portfolio, while underweight positions in Consumer Discretionary and Information Technology were a drag on performance.

The U.S. Large Cap Value strategy outperformed due to both favourable stock picks and sector-allocation decisions. Strong security selection in the Industrials and Information Technology sectors had a positive impact on performance, offsetting unfavourable stock selection in Consumer Staples.

The QUBE U.S. Large Cap Growth component underperformed due primarily to adverse stock-selection and sector-allocation bets. Security selection in the Information Technology sector detracted from returns, offset by favourable stock picks in Consumer Staples and Health Care. From a sector-allocation standpoint, an overweight position in the Information Technology sector was a drag on performance, while an underweight allocation to Industrials aided returns.

Recent Developments

The portfolio manager is budgeting for a bit faster global economic growth over the next few years than has been the case in the past. Recent data suggests the global economy is still expanding, slowly and from a low level. Credit conditions remain highly supportive of the economy and the market, and the risk of a recession in the U.S. appears low. Profit growth is recovering from a two-year decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions
Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (U.S.) Inc. is the sub-advisor and provides investment advice for the Fund. The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund. The sub-advisor is paid by the manager from the management fee paid by the 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM, RBC IS and Royal Bank are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$70,000 (2016 – \$15,000), or 4% (2016 – 1%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	16.46	0.16	(0.16)	0.85	(0.32)	0.53	—	—	—	—	—	17.07
Dec. 31, 2016	16.05	0.29	(0.30)	0.57	0.29	0.85	—	—	(0.59)	—	(0.59)	16.46
Dec. 31, 2015	14.95	0.31	(0.33)	2.16	0.31	2.45	—	—	(1.51)	—	(1.51)	16.05
Dec. 31, 2014	14.16	0.23	(0.31)	2.25	0.73	2.90	—	—	(1.96)	—	(1.96)	14.95
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
Advisor Series												
June 30, 2017	16.49	0.16	(0.16)	0.86	(0.28)	0.58	—	—	—	—	—	17.11
Dec. 31, 2016	16.06	0.29	(0.30)	0.57	0.37	0.93	—	—	(0.57)	—	(0.57)	16.49
Dec. 31, 2015	14.96	0.31	(0.33)	2.18	0.31	2.47	—	—	(1.51)	—	(1.51)	16.06
Dec. 31, 2014	14.16	0.23	(0.31)	2.25	0.73	2.90	—	—	(1.96)	—	(1.96)	14.96
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
Series D												
June 30, 2017	17.17	0.17	(0.09)	0.89	(0.26)	0.71	—	—	—	—	—	17.89
Dec. 31, 2016	16.74	0.31	(0.18)	0.60	0.21	0.94	—	(0.11)	(0.65)	—	(0.76)	17.17
Dec. 31, 2015	15.48	0.31	(0.20)	2.22	0.32	2.65	—	(0.04)	(1.56)	—	(1.60)	16.74
Dec. 31, 2014	14.49	0.24	(0.18)	2.31	0.75	3.12	—	(0.01)	(1.96)	—	(1.97)	15.48
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
Series F												
June 30, 2017	17.18	0.17	(0.07)	0.89	(0.81)	0.18	—	—	—	—	—	17.92
Dec. 31, 2016	16.69	0.31	(0.14)	0.60	0.37	1.14	—	(0.16)	(0.59)	—	(0.75)	17.18
Dec. 31, 2015	15.45	0.32	(0.16)	2.23	0.32	2.71	—	(0.08)	(1.57)	—	(1.65)	16.69
Dec. 31, 2014	14.47	0.24	(0.15)	2.36	0.76	3.21	—	(0.05)	(1.96)	—	(2.01)	15.45
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
Series O												
June 30, 2017	16.80	0.17	—	0.87	(0.25)	0.79	—	—	—	—	—	17.58
Dec. 31, 2016	16.35	0.30	(0.01)	0.59	0.63	1.51	—	(0.28)	(0.62)	—	(0.90)	16.80
Dec. 31, 2015	15.16	0.30	(0.01)	2.13	0.31	2.73	—	(0.24)	(1.56)	—	(1.80)	16.35
Dec. 31, 2014	14.22	0.23	(0.01)	2.27	0.73	3.22	—	(0.20)	(1.96)	—	(2.16)	15.16
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

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.

**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 A							
June 30, 2017	17.07	3 289	193	1.85	1.85	105.25	0.07
Dec. 31, 2016	16.46	2 427	147	1.93 ⁴	1.93	108.36	0.07
Dec. 31, 2015	16.05	2 558	159	2.02	2.02	133.63	0.12
Dec. 31, 2014	14.95	2 271	152	2.02	2.02	165.12	0.17
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
Advisor Series							
June 30, 2017	17.11	819	48	1.85	1.85	105.25	0.07
Dec. 31, 2016	16.49	858	52	1.93 ⁴	1.93	108.36	0.07
Dec. 31, 2015	16.06	870	54	2.02	2.02	133.63	0.12
Dec. 31, 2014	14.96	961	64	2.02	2.02	165.12	0.17
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
Series D							
June 30, 2017	17.89	33 686	1 883	1.02	1.02	105.25	0.07
Dec. 31, 2016	17.17	31 493	1 834	1.10 ⁴	1.10	108.36	0.07
Dec. 31, 2015	16.74	34 522	2 062	1.17	1.17	133.63	0.12
Dec. 31, 2014	15.48	20 754	1 341	1.18	1.18	165.12	0.17
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
Series F							
June 30, 2017	17.92	2 471	138	0.77	0.77	105.25	0.07
Dec. 31, 2016	17.18	641	37	0.86 ⁴	0.86	108.36	0.07
Dec. 31, 2015	16.69	459	28	0.95	0.95	133.63	0.12
Dec. 31, 2014	15.45	421	27	0.96	0.96	165.12	0.17
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
Series O							
June 30, 2017	17.58	4 917 503	279 693	0.06	0.06	105.25	0.07
Dec. 31, 2016	16.80	4 663 326	277 653	0.06	0.06	108.36	0.07
Dec. 31, 2015	16.35	3 875 711	237 032	0.06	0.06	133.63	0.12
Dec. 31, 2014	15.16	2 211 641	145 900	0.06	0.06	165.12	0.17
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.85%, Advisor Series – 1.85%, Series D – 1.02% and Series F – 0.78%.

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

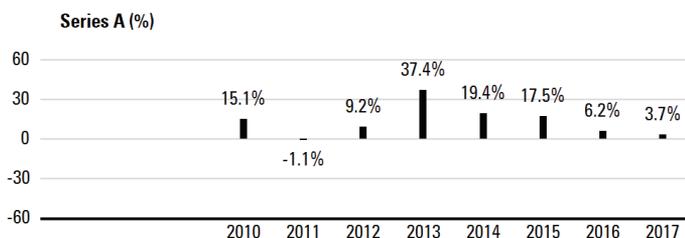
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

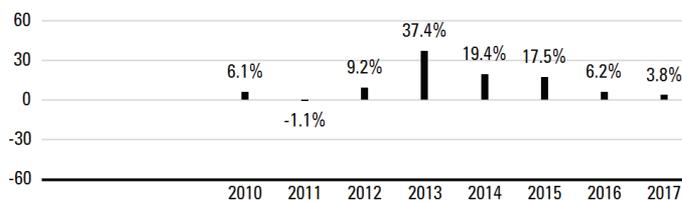
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

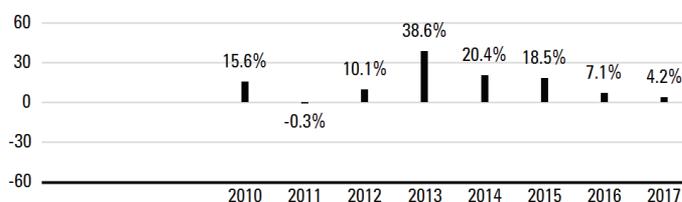
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end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



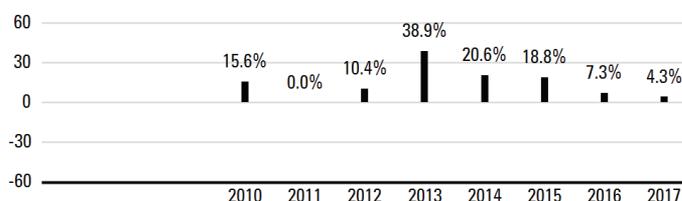
Advisor Series (%)



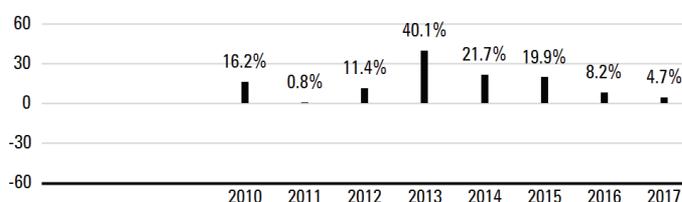
Series D (%)



Series F (%)



Series O (%)



Advisor Series units have been available for sale to unitholders since October 2010, and Series A, Series D, Series F and Series O units since June 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2017
Investment Mix

	% of Net Asset Value
Information Technology	22.4
Financials	15.5
Health Care	12.7
Consumer Discretionary	12.6
Industrials	11.6
Consumer Staples	8.0
Energy	5.4
Utilities	3.9
Real Estate	2.9
Materials	2.4
Telecommunication Services	1.5
Cash/Other	1.1

Top 25 Holdings

	% of Net Asset Value
Apple Inc.	2.9
Microsoft Corp.	2.8
Johnson & Johnson	2.1
Exxon Mobil Corp.	1.5
Bank of America Corp.	1.4
Comcast Corp., Class A	1.4
Boeing Co.	1.4
Facebook Inc., Class A	1.3
Citigroup Inc.	1.3
JPMorgan Chase & Co.	1.3
Wal-Mart Stores, Inc.	1.2
Amazon.com, Inc.	1.2
Alphabet Inc., Class C	1.2
Home Depot Inc.	1.1
International Business Machines	1.1
Cash & Cash Equivalents	1.0
The Procter & Gamble Co.	0.9
Merck & Co. Inc.	0.9
Cisco Systems Inc.	0.9
Gilead Sciences Inc.	0.9
AT&T Inc.	0.8
Berkshire Hathaway Inc., Class B	0.8
Alphabet Inc., Class A	0.8
The Goldman Sachs Group Inc.	0.8
AbbVie Inc.	0.7
Top 25 Holdings	31.7

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.rbcgam.com/funds, or by emailing us at info@phn.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
U.S. EQUITY FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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. The portfolio manager places 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 \$588 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 6.9%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that took root in the summer of 2016 has continued to bloom and a synchronized global economic expansion is at hand. That said, the initial acceleration phase has arguably come to an end. As a result, risk assets are rising with less vigour than at the turn of the year. The U.S. stock market had a strong first half of 2017, as its economic expansion continued from the previous year. The first quarter featured strong rotations in sectors and style leadership as investors weighed the likelihood of the individual elements of President Trump's legislative agenda coming to fruition. The second quarter featured style rotation into growth and defensive issues, and out of value, driven by expectations for delayed policy action and diluted economic implications.

Security selection drove strong performance, particularly in Information Technology and Industrials. In Information Technology, an overweight to Adobe Systems was a positive boost to performance. Adobe has a near-monopoly on software for professional Digital Content Creation. The company has shifted its product offering to the cloud and successfully transitioned from selling perpetual one-time licenses to a monthly subscription-based service. In Industrials, Ingersoll-Rand has been a top-performing stock, as their company-wide productivity enhancement initiative is reaping substantial benefits. Further operating improvements will be a key focus for investors moving forward.

While the broad-based commodity shock has subsided, oil prices continue to be under pressure, declining about 20% year-to-date. Oil prices remain difficult to forecast in the short run, but remain below the portfolio manager's estimate of marginal cost. Despite OPEC's moves to cut production, global inventory levels remain above long-

term averages, and this situation continues to weigh on prices. Should oil prices remain below US\$50 a barrel, the balance sheets of energy producers will once again be in focus given reductions in cash flow. The portfolio manager continues to believe that large companies with long-life reserves and strong balance sheets should deliver attractive levels of free cash as crude prices recover to the marginal cost of production.

During the year, the Information Technology sector plus Amazon and Netflix, which are Consumer Discretionary stocks, has generated roughly two-thirds of the S&P 500's gain.

Recent Developments

Looking forward, the portfolio manager believes that the economy will continue to expand slowly and that interest rates will rise gradually over the next year. The pace of U.S. job growth is slowing, as is typical later in the business cycle, but the economy has still created an average of 240,000 new jobs per month this year. The unemployment rate rests at a 16-year low, and there is some upward pressure on wage growth. In addition, consumer incomes are increasing faster than their borrowings, and most debt is both long term and fixed rate. Corporate fundamentals are also supporting the market, after three years of essentially flat earnings. Therefore, it is not unreasonable to expect further gains in equities and, if profits rise as analysts expect, the total-return potential for stocks is still quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$39,000 (2016 – \$0), or 12% (2016 – 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	58.44	0.43	(0.57)	3.14	0.59	3.59	—	—	—	—	—	61.89
Dec. 31, 2016	57.22	1.22	(1.06)	0.34	0.16	0.66	—	—	—	—	—	58.44
Dec. 31, 2015	51.52	0.99	(1.13)	13.91	(7.84)	5.93	—	—	—	—	—	57.22
Dec. 31, 2014	43.64	0.86	(0.97)	10.86	(2.88)	7.87	—	(0.19)	—	—	(0.19)	51.52
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
Advisor Series												
June 30, 2017	58.44	0.43	(0.57)	3.14	0.50	3.50	—	—	—	—	—	61.90
Dec. 31, 2016	57.22	1.22	(1.07)	0.34	(1.47)	(0.98)	—	—	—	—	—	58.44
Dec. 31, 2015	51.52	0.99	(1.13)	13.90	(7.83)	5.93	—	—	—	—	—	57.22
Dec. 31, 2014	43.64	0.86	(0.97)	10.86	(2.88)	7.87	—	(0.19)	—	—	(0.19)	51.52
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
Series D												
June 30, 2017	58.30	0.43	(0.31)	3.14	0.58	3.84	—	—	—	—	—	62.01
Dec. 31, 2016	57.08	1.22	(0.60)	0.34	0.29	1.25	—	(0.50)	—	—	(0.50)	58.30
Dec. 31, 2015	51.27	0.99	(0.65)	13.88	(7.82)	6.40	—	(0.37)	—	—	(0.37)	57.08
Dec. 31, 2014	43.42	0.85	(0.56)	10.76	(2.85)	8.20	—	(0.63)	—	—	(0.63)	51.27
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
Series F												
June 30, 2017	58.55	0.44	(0.24)	3.16	0.19	3.55	—	—	—	—	—	62.36
Dec. 31, 2016	57.33	1.23	(0.46)	0.34	1.16	2.27	—	(0.65)	—	—	(0.65)	58.55
Dec. 31, 2015	51.51	1.00	(0.52)	14.04	(7.91)	6.61	—	(0.51)	—	—	(0.51)	57.33
Dec. 31, 2014	43.62	0.85	(0.45)	10.79	(2.86)	8.33	—	(0.76)	—	—	(0.76)	51.51
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
Series O												
June 30, 2017	59.19	0.44	(0.01)	3.19	0.57	4.19	—	—	—	—	—	63.27
Dec. 31, 2016	57.93	1.24	(0.01)	0.34	0.28	1.85	—	(1.14)	—	—	(1.14)	59.19
Dec. 31, 2015	52.07	1.01	(0.01)	14.12	(7.95)	7.17	—	(1.07)	—	—	(1.07)	57.93
Dec. 31, 2014	44.10	0.83	(0.01)	10.48	(2.78)	8.52	—	(1.25)	—	—	(1.25)	52.07
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

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.

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 A							
June 30, 2017	61.89	4 034	65	1.87	1.87	86.28	0.11
Dec. 31, 2016	58.44	4 076	70	1.97 ⁴	1.97	78.06	0.07
Dec. 31, 2015	57.22	4 615	81	2.05	2.05	106.27	0.08
Dec. 31, 2014	51.52	4 259	83	2.06	2.06	38.62	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
Advisor Series							
June 30, 2017	61.90	1 286	21	1.87	1.87	86.28	0.11
Dec. 31, 2016	58.44	1 284	22	1.97 ⁴	1.97	78.06	0.07
Dec. 31, 2015	57.22	1 979	35	2.05	2.05	106.27	0.08
Dec. 31, 2014	51.52	1 815	35	2.06	2.06	38.62	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
Series D							
June 30, 2017	62.01	133 895	2 159	1.02	1.02	86.28	0.11
Dec. 31, 2016	58.30	135 852	2 330	1.10 ⁴	1.10	78.06	0.07
Dec. 31, 2015	57.08	147 545	2 585	1.18	1.18	106.27	0.08
Dec. 31, 2014	51.27	139 838	2 727	1.18	1.18	38.62	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
Series F							
June 30, 2017	62.36	4 680	75	0.77	0.77	86.28	0.11
Dec. 31, 2016	58.55	3 777	65	0.84 ⁴	0.84	78.06	0.07
Dec. 31, 2015	57.33	3 580	62	0.94	0.94	106.27	0.08
Dec. 31, 2014	51.51	2 293	45	0.94	0.94	38.62	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
Series O							
June 30, 2017	63.27	444 483	7 025	0.02	0.02	86.28	0.11
Dec. 31, 2016	59.19	437 136	7 386	0.02	0.02	78.06	0.07
Dec. 31, 2015	57.93	399 193	6 891	0.02	0.02	106.27	0.08
Dec. 31, 2014	52.07	438 672	8 425	0.02	0.02	38.62	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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.88%, Advisor Series – 1.88%, Series D – 1.02% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

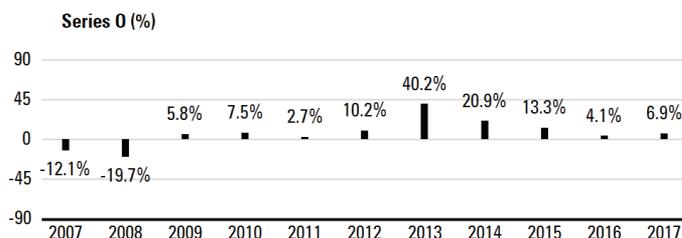
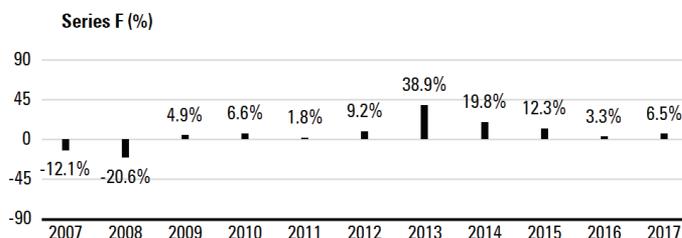
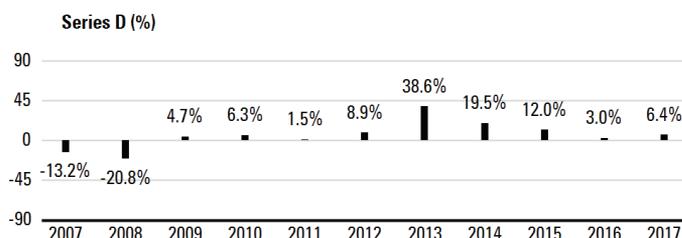
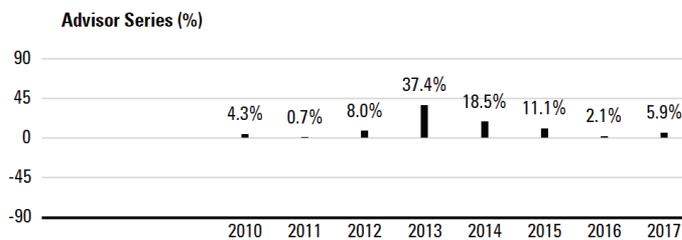
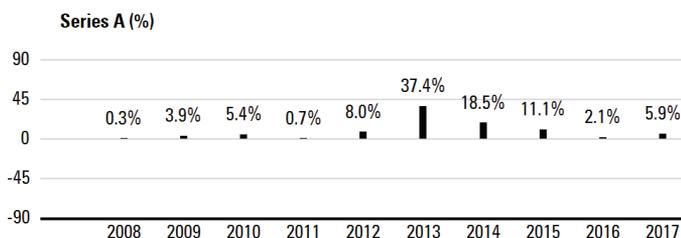
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Information Technology	22.6
Financials	15.1
Health Care	14.6
Industrials	11.6
Consumer Discretionary	10.4
Consumer Staples	8.2
Energy	6.5
Telecommunication Services	2.6
Utilities	2.4
Materials	2.0
Real Estate	1.8
Cash/Other	2.2

Top 25 Holdings

	% of Net Asset Value
Apple Inc.	3.7
Microsoft Corp.	3.3
Alphabet Inc., Class C	3.3
Amazon.com, Inc.	2.9
Cash & Cash Equivalents	2.2
JPMorgan Chase & Co.	2.1
Bank of America Corp.	2.1
Exxon Mobil Corp.	1.9
Honeywell International Inc.	1.9
Johnson & Johnson	1.8
Medtronic Plc.	1.7
Aetna Inc.	1.7
Facebook Inc., Class A	1.7
Pioneer Natural Resources Co.	1.7
Berkshire Hathaway Inc., Class B	1.5
AT&T Inc.	1.5
Thermo Fisher Scientific Inc.	1.5
Ingersoll-Rand Plc., Class A	1.5
Chevron Corp.	1.4
Comcast Corp., Class A	1.4
General Dynamics Corp.	1.4
Visa Inc., Class A	1.3
Citigroup Inc.	1.3
PepsiCo Inc.	1.3
The Procter & Gamble Co.	1.1
Top 25 Holdings	47.2

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.rbcgam.com/funds, or by emailing us at info@phn.com.

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
CURRENCY-HEDGED U.S. EQUITY FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests 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 \$46 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 10.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that took root in the summer of 2016 has continued to bloom and a synchronized global economic expansion is at hand. That said, the initial acceleration phase has arguably come to an end. As a result, risk assets are rising with less vigour than at the turn of the year. The U.S. stock market had a strong first half of 2017, as its economic expansion continued from the previous year. The first quarter featured strong rotations in sectors and style leadership as investors weighed the likelihood of the individual elements of President Trump's legislative agenda coming to fruition. The second quarter featured style rotation into growth and defensive issues, and out of value, driven by expectations for delayed policy action and diluted economic implications.

Security selection drove strong performance, particularly in Information Technology and Industrials. In Information Technology, an overweight to Adobe Systems was a positive boost to performance. Adobe has a near-monopoly on software for professional Digital Content Creation. The company has shifted its product offering to the cloud and successfully transitioned from selling perpetual one-time licenses to a monthly subscription-based service. In Industrials, Ingersoll-Rand has been a top-performing stock, as their company-wide productivity enhancement initiative is reaping substantial benefits. Further operating improvements will be a key focus for investors moving forward.

While the broad-based commodity shock has subsided, oil prices continue to be under pressure, declining about 20% year-to-date. Oil prices remain difficult to forecast in the short run, but remain below the portfolio manager's estimate of marginal cost. Despite OPEC's moves to cut production, global inventory levels remain above

long-term averages, and this situation continues to weigh on prices. Should oil prices remain below US\$50 a barrel, the balance sheets of energy producers will once again be in focus given reductions in cash flow. The portfolio manager continues to believe that large companies with long-life reserves and strong balance sheets should deliver attractive levels of free cash as crude prices recover to the marginal cost of production.

During the year, the Information Technology sector plus Amazon and Netflix, which are Consumer Discretionary stocks, has generated roughly two-thirds of the S&P 500's gain.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a positive impact on returns in the first half of 2017, as unitholders were protected against the U.S. dollar's decline against the Canadian dollar.

Recent Developments

Looking forward, the portfolio manager believes that the economy will continue to expand slowly and that interest rates will rise gradually over the next year. The pace of U.S. job growth is slowing, as is typical later in the business cycle, but the economy has still created an average of 240,000 new jobs per month this year. The unemployment rate rests at a 16-year low, and there is some upward pressure on wage growth. In addition, consumer incomes are increasing faster than their borrowings, and most debt is both long term and fixed rate. Corporate fundamentals are also supporting the market, after three years of essentially flat earnings. Therefore, it is not unreasonable to expect further gains in equities and, if profits rise as analysts expect, the total-return potential for stocks is still quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund's risk rating changed from medium to medium-to-high.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Related-Party Transactions
Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	10.20	–	(0.10)	0.36	0.72	0.98	–	–	–	–	–	11.18
Dec. 31, 2016	9.81	0.18	(0.19)	0.94	(0.72)	0.21	–	–	–	–	–	10.20
Dec. 31, 2015	10.50	0.19	(0.21)	(0.24)	(0.44)	(0.70)	–	–	–	–	–	9.81
Dec. 31, 2014	9.66	0.17	(0.20)	2.89	(1.92)	0.94	–	(0.03)	–	–	(0.03)	10.50
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
Advisor Series												
June 30, 2017	10.20	–	(0.10)	0.36	0.78	1.04	–	–	–	–	–	11.18
Dec. 31, 2016	9.81	0.18	(0.19)	0.93	(0.92)	–	–	–	–	–	–	10.20
Dec. 31, 2015	10.50	0.19	(0.20)	(0.24)	(0.44)	(0.69)	–	–	–	–	–	9.81
Dec. 31, 2014	9.66	0.17	(0.20)	2.88	(1.91)	0.94	–	(0.04)	–	–	(0.04)	10.50
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
Series D												
June 30, 2017	10.15	–	(0.05)	0.36	0.72	1.03	–	–	–	–	–	11.17
Dec. 31, 2016	9.76	0.18	(0.11)	0.94	(0.30)	0.71	–	(0.08)	–	–	(0.08)	10.15
Dec. 31, 2015	10.44	0.19	(0.12)	(0.24)	(0.44)	(0.61)	–	(0.08)	–	–	(0.08)	9.76
Dec. 31, 2014	9.60	0.17	(0.12)	2.84	(1.88)	1.01	–	(0.12)	–	–	(0.12)	10.44
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
Series F												
June 30, 2017	10.24	–	(0.04)	0.36	0.75	1.07	–	–	–	–	–	11.28
Dec. 31, 2016	9.85	0.18	(0.08)	0.94	(0.02)	1.02	–	(0.11)	–	–	(0.11)	10.24
Dec. 31, 2015	10.53	0.19	(0.10)	(0.24)	(0.44)	(0.59)	–	(0.10)	–	–	(0.10)	9.85
Dec. 31, 2014	9.68	0.17	(0.10)	2.86	(1.89)	1.04	–	(0.15)	–	–	(0.15)	10.53
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
Series O												
June 30, 2017	10.28	–	(0.01)	0.37	0.74	1.10	–	–	–	–	–	11.36
Dec. 31, 2016	9.87	0.18	(0.01)	0.96	(0.31)	0.82	–	(0.18)	–	–	(0.18)	10.28
Dec. 31, 2015	10.55	0.19	(0.01)	(0.24)	(0.45)	(0.51)	–	(0.18)	–	–	(0.18)	9.87
Dec. 31, 2014	9.70	0.15	(0.01)	2.61	(1.73)	1.02	–	(0.23)	–	–	(0.23)	10.55
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

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.

**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 A							
June 30, 2017	11.18	950	85	1.88	1.88	1.68	0.10
Dec. 31, 2016	10.20	888	87	1.96 ⁴	1.96	30.91	0.07
Dec. 31, 2015	9.81	1 128	115	2.05	2.06	24.20	0.08
Dec. 31, 2014	10.50	1 677	160	2.05	2.05	11.12	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
Advisor Series							
June 30, 2017	11.18	313	28	1.88	1.88	1.68	0.10
Dec. 31, 2016	10.20	398	39	1.99 ⁴	1.99	30.91	0.07
Dec. 31, 2015	9.81	3 153	321	2.05	2.06	24.20	0.08
Dec. 31, 2014	10.50	639	61	2.05	2.05	11.12	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
Series D							
June 30, 2017	11.17	9 287	831	1.04	1.04	1.68	0.10
Dec. 31, 2016	10.15	9 258	912	1.12 ⁴	1.12	30.91	0.07
Dec. 31, 2015	9.76	7 793	799	1.21	1.22	24.20	0.08
Dec. 31, 2014	10.44	7 896	756	1.21	1.21	11.12	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
Series F							
June 30, 2017	11.28	1 297	115	0.78	0.78	1.68	0.10
Dec. 31, 2016	10.24	1 400	137	0.86 ⁴	0.86	30.91	0.07
Dec. 31, 2015	9.85	761	77	0.95	0.95	24.20	0.08
Dec. 31, 2014	10.53	776	74	0.96	0.96	11.12	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
Series O							
June 30, 2017	11.36	33 982	2 992	0.13	0.13	1.68	0.10
Dec. 31, 2016	10.28	34 469	3 354	0.13	0.13	30.91	0.07
Dec. 31, 2015	9.87	27 937	2 831	0.13	0.14	24.20	0.08
Dec. 31, 2014	10.55	32 305	3 062	0.13	0.13	11.12	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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.88%, Advisor Series – 1.88%, Series D – 1.04% and Series F – 0.78%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

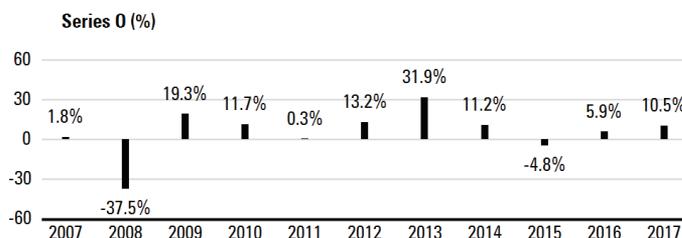
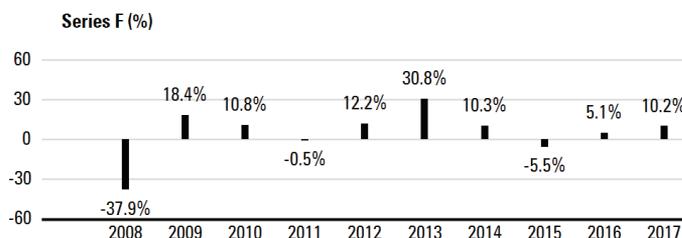
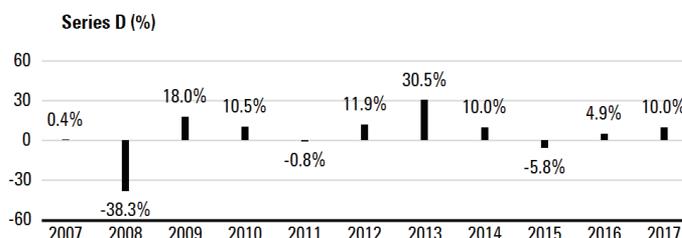
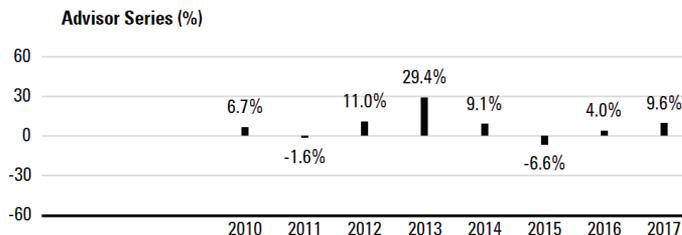
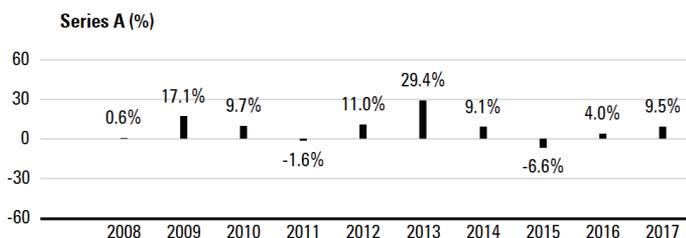
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since December 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2017
Investment Mix

	% of Net Asset Value
Information Technology	21.9
Financials	14.6
Health Care	14.2
Industrials	11.3
Consumer Discretionary	10.1
Consumer Staples	8.0
Energy	6.3
Telecommunication Services	2.5
Utilities	2.3
Materials	1.9
Real Estate	1.7
Cash/Other	5.2

Top 25 Holdings*

	% of Net Asset Value
Apple Inc.	3.7
Microsoft Corp.	3.3
Alphabet Inc., Class C	3.3
Amazon.com, Inc.	2.9
Cash & Cash Equivalents	2.2
JPMorgan Chase & Co.	2.1
Bank of America Corp.	2.1
Exxon Mobil Corp.	1.9
Honeywell International Inc.	1.9
Johnson & Johnson	1.8
Medtronic Plc.	1.7
Aetna Inc.	1.7
Facebook Inc., Class A	1.7
Pioneer Natural Resources Co.	1.7
Berkshire Hathaway Inc., Class B	1.5
AT&T Inc.	1.5
Thermo Fisher Scientific Inc.	1.5
Ingersoll-Rand Plc., Class A	1.5
Chevron Corp.	1.4
Comcast Corp., Class A	1.4
General Dynamics Corp.	1.4
Visa Inc., Class A	1.3
Citigroup Inc.	1.3
PepsiCo Inc.	1.3
The Procter & Gamble Co.	1.1
Top 25 Holdings	47.2

* 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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

U.S. EQUITY FUND

**PHILLIPS, HAGER & NORTH
U.S. GROWTH FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, the portfolio manager invests in businesses that they 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 \$109 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 6.8%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that took root in the summer of 2016 has continued to bloom and a synchronized global economic expansion is at hand. That said, the initial acceleration phase has arguably come to an end. As a result, risk assets are rising with less vigour than at the turn of the year. The U.S. stock market had a strong first half of 2017, as its economic expansion continued from the previous year. The first quarter featured strong rotations in sectors and style leadership as investors weighed the likelihood of the individual elements of President Trump's legislative agenda coming to fruition. The second quarter featured style rotation into growth and defensive issues, and out of value, driven by expectations for delayed policy action and diluted economic implications.

Security selection drove strong performance, particularly in Information Technology and Industrials. In Information Technology, an overweight to Adobe Systems was a positive boost to performance. Adobe has a near-monopoly on software for professional Digital Content Creation. The company has shifted its product offering to the cloud and successfully transitioned from selling perpetual one-time licenses to a monthly subscription-based service. In Industrials, Ingersoll-Rand has been a top-performing stock, as their company-wide productivity enhancement initiative is reaping substantial benefits. Further operating improvements will be a key focus for investors moving forward.

While the broad-based commodity shock has subsided, oil prices continue to be under pressure, declining about 20% year-to-date. Oil prices remain difficult to forecast in the short run, but remain below the portfolio manager's estimate of marginal cost. Despite OPEC's moves to cut production, global inventory levels remain above long-term averages, and this situation continues to weigh on prices. Should oil prices remain below US\$50 a barrel, the balance sheets of energy producers will once again be in focus given reductions in cash flow. The portfolio manager continues to believe that large companies with long-life reserves and strong balance sheets should deliver attractive levels of free cash as crude prices recover to the marginal cost of production.

During the year, the Information Technology sector plus Amazon and Netflix, which are Consumer Discretionary stocks, has generated roughly two-thirds of the S&P 500's gain.

Recent Developments

Looking forward, the portfolio manager believes that the economy will continue to expand slowly and that interest rates will rise gradually over the next year. The pace of U.S. job growth is slowing, as is typical later in the business cycle, but the economy has still created an average of 240,000 new jobs per month this year. The unemployment rate rests at a 16-year low, and there is some upward pressure on wage growth. In addition, consumer incomes are increasing faster than their borrowings, and most debt is both long term and fixed rate. Corporate fundamentals are also supporting the market, after three years of essentially flat earnings. Therefore, it is not unreasonable to expect further gains in equities and, if profits rise as analysts expect, the total-return potential for stocks is still quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

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Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$8,000 (2016 – \$0), or 13% (2016 – 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	22.22	0.17	(0.21)	1.45	(0.32)	1.09	—	—	—	—	—	23.53
Dec. 31, 2016	21.82	0.47	(0.40)	0.06	(0.45)	(0.32)	—	(0.08)	—	—	(0.08)	22.22
Dec. 31, 2015	18.79	0.28	(0.41)	5.91	(2.66)	3.12	—	—	—	—	—	21.82
Dec. 31, 2014	16.08	0.19	(0.34)	2.34	0.49	2.68	—	—	—	—	—	18.79
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
Advisor Series												
June 30, 2017	22.22	0.17	(0.21)	1.45	(0.21)	1.20	—	—	—	—	—	23.53
Dec. 31, 2016	21.82	0.47	(0.39)	0.06	0.46	0.60	—	(0.08)	—	—	(0.08)	22.22
Dec. 31, 2015	18.78	0.28	(0.41)	5.88	(2.64)	3.11	—	—	—	—	—	21.82
Dec. 31, 2014	16.08	0.19	(0.34)	2.34	0.49	2.68	—	—	—	—	—	18.78
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
Series D												
June 30, 2017	22.85	0.17	(0.12)	1.49	(0.06)	1.48	—	—	—	—	—	24.30
Dec. 31, 2016	22.44	0.48	(0.23)	0.07	0.19	0.51	—	(0.27)	—	—	(0.27)	22.85
Dec. 31, 2015	19.18	0.28	(0.25)	6.06	(2.72)	3.37	—	(0.02)	—	—	(0.02)	22.44
Dec. 31, 2014	16.29	0.20	(0.21)	2.38	0.50	2.87	—	—	—	—	—	19.18
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
Series F												
June 30, 2017	23.10	0.17	(0.09)	1.51	(0.17)	1.42	—	—	—	—	—	24.60
Dec. 31, 2016	22.70	0.49	(0.19)	0.07	1.40	1.77	—	(0.34)	—	—	(0.34)	23.10
Dec. 31, 2015	19.41	0.29	(0.21)	6.14	(2.76)	3.46	—	(0.07)	—	—	(0.07)	22.70
Dec. 31, 2014	16.47	0.20	(0.17)	2.41	0.50	2.94	—	(0.03)	—	—	(0.03)	19.41
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
Series O												
June 30, 2017	23.35	0.18	(0.01)	1.53	(0.04)	1.66	—	—	—	—	—	24.95
Dec. 31, 2016	22.93	0.50	(0.02)	0.07	0.05	0.60	—	(0.51)	—	—	(0.51)	23.35
Dec. 31, 2015	19.60	0.29	(0.02)	6.21	(2.79)	3.69	—	(0.27)	—	—	(0.27)	22.93
Dec. 31, 2014	16.63	0.20	(0.01)	2.45	0.51	3.15	—	(0.20)	—	—	(0.20)	19.60
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

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.

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 A							
June 30, 2017	23.53	2 022	86	1.84	1.84	73.09	0.11
Dec. 31, 2016	22.22	1 532	69	1.91 ⁴	1.91	66.58	0.07
Dec. 31, 2015	21.82	2 289	105	1.98	1.98	124.55	0.09
Dec. 31, 2014	18.79	2 171	116	1.97	1.97	42.63	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
Advisor Series							
June 30, 2017	23.53	207	9	1.84	1.84	73.09	0.11
Dec. 31, 2016	22.22	190	9	1.91 ⁴	1.91	66.58	0.07
Dec. 31, 2015	21.82	166	8	1.98	1.98	124.55	0.09
Dec. 31, 2014	18.78	281	15	1.97	1.97	42.63	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
Series D							
June 30, 2017	24.30	39 760	1 636	1.02	1.02	73.09	0.11
Dec. 31, 2016	22.85	39 450	1 726	1.10 ⁴	1.10	66.58	0.07
Dec. 31, 2015	22.44	43 208	1 925	1.18	1.18	124.55	0.09
Dec. 31, 2014	19.18	37 146	1 936	1.18	1.18	42.63	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
Series F							
June 30, 2017	24.60	2 459	100	0.76	0.76	73.09	0.11
Dec. 31, 2016	23.10	2 268	98	0.86 ⁴	0.86	66.58	0.07
Dec. 31, 2015	22.70	764	34	0.95	0.95	124.55	0.09
Dec. 31, 2014	19.41	536	28	0.95	0.95	42.63	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
Series O							
June 30, 2017	24.95	64 802	2 597	0.08	0.08	73.09	0.11
Dec. 31, 2016	23.35	66 230	2 836	0.08	0.08	66.58	0.07
Dec. 31, 2015	22.93	77 521	3 381	0.08	0.08	124.55	0.09
Dec. 31, 2014	19.60	81 811	4 174	0.08	0.08	42.63	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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.82%, Advisor Series – 1.82%, Series D – 1.02% and Series F – 0.78%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

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

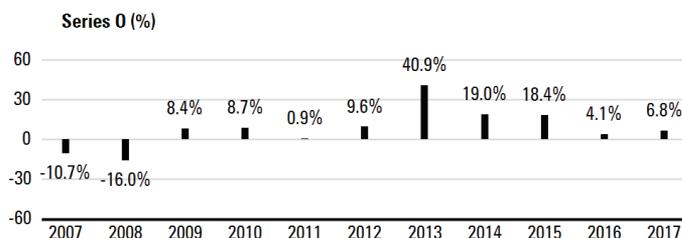
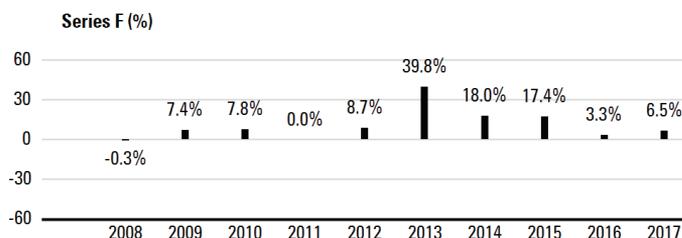
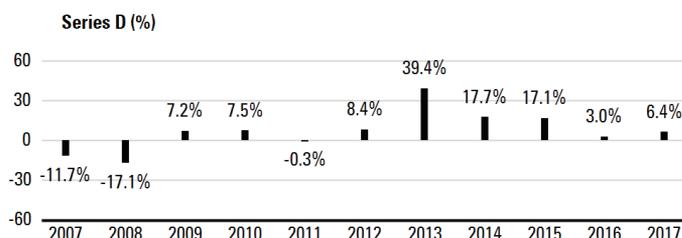
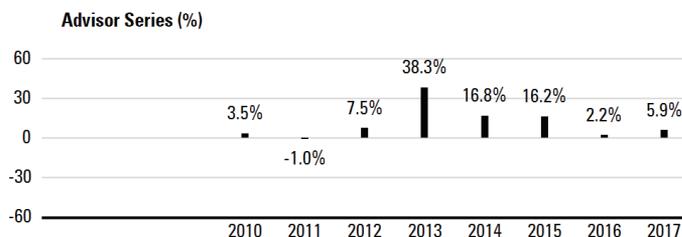
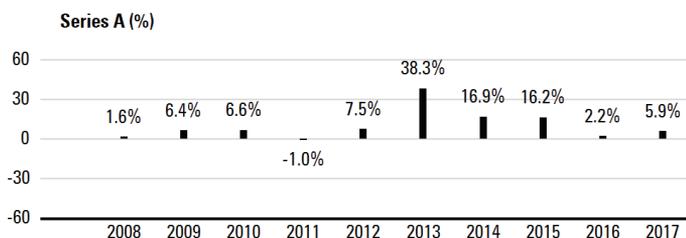
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since October 2008.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Information Technology	22.8
Financials	15.1
Health Care	14.6
Industrials	11.7
Consumer Discretionary	10.3
Consumer Staples	8.2
Energy	6.5
Telecommunication Services	2.6
Utilities	2.5
Materials	2.0
Real Estate	1.8
Cash/Other	1.9

Top 25 Holdings

	% of Net Asset Value
Apple Inc.	3.7
Microsoft Corp.	3.4
Alphabet Inc., Class C	3.3
Amazon.com, Inc.	2.9
JPMorgan Chase & Co.	2.1
Bank of America Corp.	2.1
Honeywell International Inc.	1.9
Exxon Mobil Corp.	1.9
Johnson & Johnson	1.9
Cash & Cash Equivalents	1.9
Medtronic Plc.	1.8
Aetna Inc.	1.7
Facebook Inc., Class A	1.7
Pioneer Natural Resources Co.	1.7
Berkshire Hathaway Inc., Class B	1.6
Thermo Fisher Scientific Inc.	1.5
AT&T Inc.	1.5
Ingersoll-Rand Plc., Class A	1.5
Chevron Corp.	1.4
Comcast Corp., Class A	1.4
Visa Inc., Class A	1.4
General Dynamics Corp.	1.4
PepsiCo Inc.	1.3
Citigroup Inc.	1.3
The Procter & Gamble Co.	1.1
Top 25 Holdings	47.4

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.rbcgam.com/funds, or by emailing us at info@phn.com.

INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
OVERSEAS EQUITY FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

Sub-Advisor: RBC Global Asset Management (UK) Limited

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 of companies located in countries outside North America, including countries in Europe, as well as Japan, Australia and the rest of the Far East. To achieve the Fund's investment objective, the sub-advisor invests 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 \$1.1 billion as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 13.8%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Global stocks extended their gains in the first half of 2017 as all industry sectors posted double-digit gains, except for Energy and Telecommunication Services which declined. The extension of the equity rally stemmed from faster earnings growth and an improving global backdrop, as Europe's economic environment brightened. However, shares of companies that tend to benefit from faster economic growth underperformed due to concern that President Trump's pro-growth economic proposals would likely take longer than expected to be enacted by Congress. As the period came to an end, investors were turning their attention to companies that can outperform in periods of slower growth given their generally consistent strong earnings and healthy balance sheets.

The Fund benefited from holdings in the Financials and Consumer Discretionary sectors and, to a lesser degree, the Information Technology and Materials sector. Holdings in the Health Care sector held back returns the most during the period, and Consumer Staples-sector holdings were also a negative.

In terms of individual holdings, South African media company, Naspers, contributed the most to relative returns, followed by HDFC, an Indian financial company. Astellas Pharma of Japan and Universal Robina, a Philippines-based maker of snack food, had a negative impact on performance.

Recent Developments

The geopolitical landscape seems less volatile than it was 12 months ago. However, risks remain in the form of Middle East tensions, the U.K.'s Brexit negotiations and an uncertain U.S. political path. Valuations in some areas of the market appear to have outpaced earnings prospects, and the sub-advisor tries to avoid such situations.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (UK) Limited is the sub-advisor and provides investment advice for the Fund. The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund. The sub-advisor is paid by the manager from the management fee paid by the 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$33,000 (2016 – \$58,000), or 3% (2016 – 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	12.55	0.22	(0.14)	0.27	1.26	1.61	—	—	—	—	—	14.14
Dec. 31, 2016	13.81	0.38	(0.28)	0.14	(1.57)	(1.33)	—	(0.11)	—	—	(0.11)	12.55
Dec. 31, 2015	11.44	0.30	(0.29)	0.52	1.85	2.38	—	—	—	—	—	13.81
Dec. 31, 2014	11.21	0.40	(0.26)	2.22	(1.90)	0.46	—	(0.21)	—	—	(0.21)	11.44
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
Advisor Series												
June 30, 2017	12.55	0.22	(0.14)	0.27	1.07	1.42	—	—	—	—	—	14.14
Dec. 31, 2016	13.81	0.38	(0.28)	0.14	(1.59)	(1.35)	—	(0.11)	—	—	(0.11)	12.55
Dec. 31, 2015	11.44	0.30	(0.29)	0.52	1.85	2.38	—	—	—	—	—	13.81
Dec. 31, 2014	11.21	0.40	(0.26)	2.22	(1.90)	0.46	—	(0.21)	—	—	(0.21)	11.44
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
Series D												
June 30, 2017	12.46	0.22	(0.08)	0.27	1.23	1.64	—	—	—	—	—	14.10
Dec. 31, 2016	13.72	0.38	(0.16)	0.14	(1.42)	(1.06)	—	(0.22)	—	—	(0.22)	12.46
Dec. 31, 2015	11.35	0.30	(0.18)	0.52	1.84	2.48	—	(0.11)	—	—	(0.11)	13.72
Dec. 31, 2014	11.13	0.40	(0.15)	2.21	(1.90)	0.56	—	(0.31)	—	—	(0.31)	11.35
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
Series F												
June 30, 2017	11.88	0.21	(0.06)	0.26	1.10	1.51	—	—	—	—	—	13.46
Dec. 31, 2016	13.08	0.36	(0.13)	0.14	(0.89)	(0.52)	—	(0.23)	—	—	(0.23)	11.88
Dec. 31, 2015	10.83	0.28	(0.14)	0.49	1.75	2.38	—	(0.14)	—	—	(0.14)	13.08
Dec. 31, 2014	10.61	0.38	(0.12)	2.10	(1.80)	0.56	—	(0.32)	—	—	(0.32)	10.83
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
Series O												
June 30, 2017	12.72	0.22	(0.01)	0.28	1.28	1.77	—	—	—	—	—	14.47
Dec. 31, 2016	13.99	0.39	(0.01)	0.15	(1.31)	(0.78)	—	(0.36)	—	—	(0.36)	12.72
Dec. 31, 2015	11.58	0.31	(0.01)	0.53	1.89	2.72	—	(0.29)	—	—	(0.29)	13.99
Dec. 31, 2014	11.35	0.40	(0.01)	2.24	(1.93)	0.70	—	(0.47)	—	—	(0.47)	11.58
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

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.

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 A							
June 30, 2017	14.14	3 167	224	2.08	2.08	39.72	0.24
Dec. 31, 2016	12.55	2 888	230	2.16 ⁴	2.16	33.49	0.19
Dec. 31, 2015	13.81	3 664	265	2.22	2.22	35.42	0.17
Dec. 31, 2014	11.44	3 100	271	2.22	2.22	146.70	0.42
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
Advisor Series							
June 30, 2017	14.14	1 183	84	2.09	2.09	39.72	0.24
Dec. 31, 2016	12.55	1 013	81	2.16 ⁴	2.16	33.49	0.19
Dec. 31, 2015	13.81	1 401	101	2.22	2.22	35.42	0.17
Dec. 31, 2014	11.44	1 017	89	2.22	2.22	146.70	0.42
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
Series D							
June 30, 2017	14.10	186 661	13 239	1.23	1.23	39.72	0.24
Dec. 31, 2016	12.46	165 905	13 316	1.29 ⁴	1.29	33.49	0.19
Dec. 31, 2015	13.72	186 721	13 614	1.34	1.34	35.42	0.17
Dec. 31, 2014	11.35	149 793	13 194	1.34	1.34	146.70	0.42
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
Series F							
June 30, 2017	13.46	10 772	800	1.01	1.01	39.72	0.24
Dec. 31, 2016	11.88	9 150	770	1.06 ⁴	1.06	33.49	0.19
Dec. 31, 2015	13.08	5 569	426	1.13	1.13	35.42	0.17
Dec. 31, 2014	10.83	3 371	311	1.13	1.13	146.70	0.42
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
Series O							
June 30, 2017	14.47	927 031	64 052	0.09	0.09	39.72	0.24
Dec. 31, 2016	12.72	835 297	65 680	0.09	0.09	33.49	0.19
Dec. 31, 2015	13.99	778 286	55 634	0.09	0.09	35.42	0.17
Dec. 31, 2014	11.58	653 668	56 427	0.09	0.09	146.70	0.42
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.10%, Advisor Series – 2.10%, Series D – 1.23% and Series F – 1.01%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.75%	54%	46%
Advisor Series	1.75%	54%	46%
Series D	1.00%	23%	77%
Series F	0.75%	—	100%

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

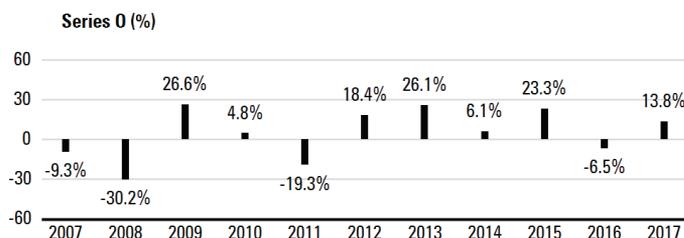
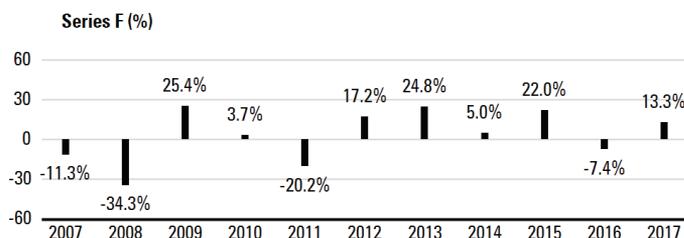
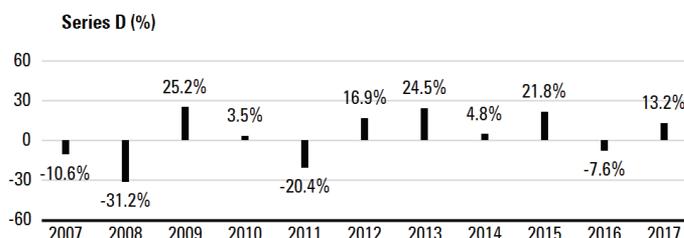
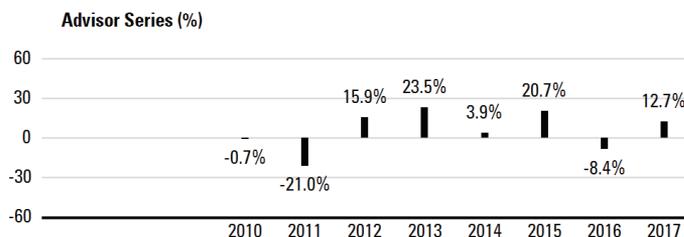
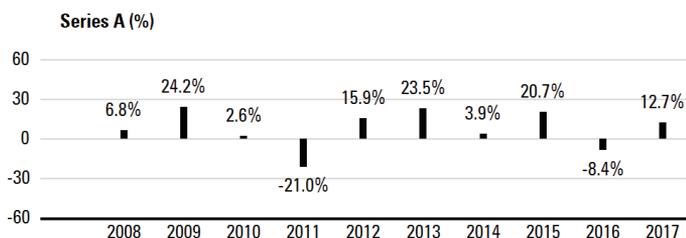
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix – Sectors

	% of Net Asset Value
Financials	24.2
Industrials	18.6
Consumer Discretionary	13.9
Consumer Staples	10.4
Health Care	8.1
Information Technology	7.8
Materials	7.6
Energy	5.2
Telecommunication Services	1.6
Utilities	1.5
Cash/Other	1.1

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-United Kingdom Equities	39.7
Pacific Rim ex-Japan Equities	20.9
Japan Equities	17.2
United Kingdom Equities	16.9
Middle East and Africa Equities	4.1
Cash/Other	1.2

Top 25 Holdings

	% of Net Asset Value
Deutsche Post AG	4.8
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	4.5
Nidec Corp.	4.2
Naspers Ltd.	4.1
AIA Group Ltd.	4.0
InterContinental Hotels Group Plc.	4.0
Unilever Plc.	3.9
Anheuser-Busch InBev S.A./N.V.	3.8
Roche Holdings AG Genussscheine	3.6
Kubota Corp.	3.3
ING Groep N.V.	3.2
St James's Place Plc.	3.2
Oil Search Ltd.	3.2
UBS Group AG	2.8
CRH Plc.	2.8
Partners Group Holding AG	2.6
Paddy Power Betfair Plc.	2.6
HDFC Bank Ltd.	2.3
Novo Nordisk A/S	2.3
Safran S.A.	2.3
HDFC Bank Ltd. ADR	2.3
ASML Holding N.V.	2.3
Oriental Land Co. Ltd.	2.3
Lloyds TSB Group Plc.	2.2
Komatsu Ltd.	2.2
Top 25 Holdings	78.8

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.rbcgam.com/funds, or by emailing us at info@phn.com.

INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
CURRENCY-HEDGED OVERSEAS
EQUITY FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, as well as Japan, Australia and the rest of the Far East, while minimizing fluctuations in the value of foreign currencies relative to the Canadian dollar. To achieve the Fund's investment objective, the portfolio manager invests 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 \$179 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 12.2%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Global stocks extended their gains in the first half of 2017 as all industry sectors posted double-digit gains, except for Energy and Telecommunication Services which declined. The extension of the equity rally stemmed from faster earnings growth and an improving global backdrop, as Europe's economic environment brightened. However, shares of companies that tend to benefit from faster economic growth underperformed due to concern that President Trump's pro-growth economic proposals would likely take longer than expected to be enacted by Congress. As the period came to an end, investors were turning their attention to companies that can outperform in periods of slower growth given their generally consistent strong earnings and healthy balance sheets.

The Fund benefited from holdings in the Financials and Consumer Discretionary sectors and, to a lesser degree, the Information Technology and Materials sector. Holdings in the Health Care sector held back returns the most during the period, and Consumer Staples-sector holdings were also a negative.

In terms of individual holdings, South African media company, Naspers, contributed the most to relative returns, followed by HDFC, an Indian financial company. Astellas Pharma of Japan and Universal Robina, a Philippines-based maker of snack food, had a negative impact on performance.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the Canadian dollar and other currencies. This policy had a negative impact on the Fund's performance during the period.

Recent Developments

The geopolitical landscape seems less volatile than it was 12 months ago. However, risks remain in the form of Middle East tensions, the U.K.'s Brexit negotiations and an uncertain U.S. political path. Valuations in some areas of the market appear to have outpaced earnings prospects, and the portfolio manager tries to avoid such situations.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	9.38	–	(0.11)	(0.01)	1.19	1.07	–	–	–	–	–	10.43
Dec. 31, 2016	9.73	0.25	(0.20)	0.53	(0.95)	(0.37)	–	(0.06)	–	–	(0.06)	9.38
Dec. 31, 2015	9.10	0.22	(0.22)	(0.42)	0.95	0.53	–	–	–	–	–	9.73
Dec. 31, 2014	8.89	0.30	(0.20)	0.84	(0.55)	0.39	–	(0.15)	(0.09)	–	(0.24)	9.10
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
Advisor Series												
June 30, 2017	9.39	–	(0.10)	(0.01)	1.16	1.05	–	–	–	–	–	10.43
Dec. 31, 2016	9.73	0.25	(0.20)	0.53	(0.76)	(0.18)	–	(0.06)	–	–	(0.06)	9.39
Dec. 31, 2015	9.10	0.21	(0.22)	(0.41)	0.93	0.51	–	–	–	–	–	9.73
Dec. 31, 2014	8.89	0.30	(0.20)	0.84	(0.55)	0.39	–	(0.15)	(0.09)	–	(0.24)	9.10
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
Series D												
June 30, 2017	9.13	–	(0.06)	(0.01)	1.13	1.06	–	–	–	–	–	10.19
Dec. 31, 2016	9.46	0.25	(0.12)	0.52	(0.66)	(0.01)	–	(0.14)	–	–	(0.14)	9.13
Dec. 31, 2015	8.84	0.21	(0.13)	(0.41)	0.93	0.60	–	(0.08)	–	–	(0.08)	9.46
Dec. 31, 2014	8.64	0.29	(0.12)	0.82	(0.54)	0.45	–	(0.22)	(0.09)	–	(0.31)	8.84
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
Series F												
June 30, 2017	9.22	–	(0.05)	(0.01)	1.18	1.12	–	–	–	–	–	10.30
Dec. 31, 2016	9.55	0.25	(0.10)	0.52	(0.75)	(0.08)	–	(0.16)	–	–	(0.16)	9.22
Dec. 31, 2015	8.93	0.21	(0.11)	(0.41)	0.93	0.62	–	(0.10)	–	–	(0.10)	9.55
Dec. 31, 2014	8.72	0.29	(0.10)	0.82	(0.54)	0.47	–	(0.25)	(0.09)	–	(0.34)	8.93
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
Series O												
June 30, 2017	9.26	–	(0.01)	(0.01)	1.15	1.13	–	–	–	–	–	10.39
Dec. 31, 2016	9.59	0.25	(0.01)	0.53	(0.87)	(0.10)	–	(0.25)	–	–	(0.25)	9.26
Dec. 31, 2015	8.96	0.21	(0.02)	(0.41)	0.94	0.72	–	(0.19)	–	–	(0.19)	9.59
Dec. 31, 2014	8.76	0.30	(0.01)	0.82	(0.54)	0.57	–	(0.34)	(0.09)	–	(0.43)	8.96
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

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.

**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 A							
June 30, 2017	10.43	578	55	2.21	2.21	6.75	0.24
Dec. 31, 2016	9.38	570	61	2.28 ⁴	2.28	18.67	0.18
Dec. 31, 2015	9.73	733	75	2.30	2.30	20.40	0.17
Dec. 31, 2014	9.10	606	67	2.31	2.31	11.71	0.42
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
Advisor Series							
June 30, 2017	10.43	1 404	135	2.21	2.21	6.75	0.24
Dec. 31, 2016	9.39	1 675	178	2.28 ⁴	2.28	18.67	0.18
Dec. 31, 2015	9.73	1 675	172	2.30	2.30	20.40	0.17
Dec. 31, 2014	9.10	111	12	2.30	2.30	11.71	0.42
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
Series D							
June 30, 2017	10.19	15 119	1 483	1.32	1.32	6.75	0.24
Dec. 31, 2016	9.13	13 610	1 490	1.37 ⁴	1.37	18.67	0.18
Dec. 31, 2015	9.46	11 977	1 266	1.43	1.43	20.40	0.17
Dec. 31, 2014	8.84	11 692	1 322	1.44	1.44	11.71	0.42
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
Series F							
June 30, 2017	10.30	2 496	242	1.11	1.11	6.75	0.24
Dec. 31, 2016	9.22	2 956	321	1.16 ⁴	1.16	18.67	0.18
Dec. 31, 2015	9.55	3 268	342	1.19	1.19	20.40	0.17
Dec. 31, 2014	8.93	700	78	1.20	1.20	11.71	0.42
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
Series O							
June 30, 2017	10.39	159 428	15 346	0.24	0.24	6.75	0.24
Dec. 31, 2016	9.26	146 277	15 799	0.24	0.24	18.67	0.18
Dec. 31, 2015	9.59	153 811	16 036	0.24	0.24	20.40	0.17
Dec. 31, 2014	8.96	121 375	13 542	0.25	0.25	11.71	0.42
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.22%, Advisor Series – 2.22%, Series D – 1.32% and Series F – 1.11%.

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	1.75%	54%	46%
Advisor Series	1.75%	54%	46%
Series D	1.00%	23%	77%
Series F	0.75%	—	100%

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

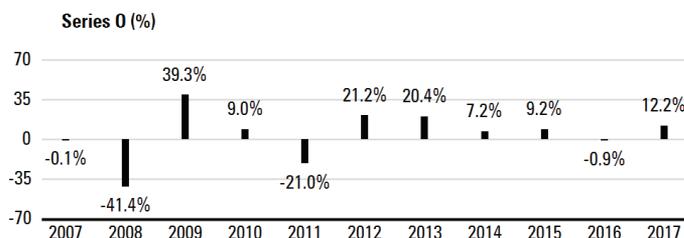
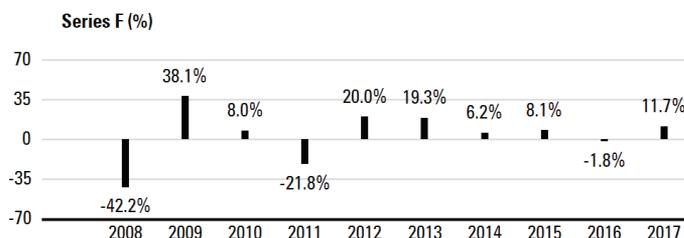
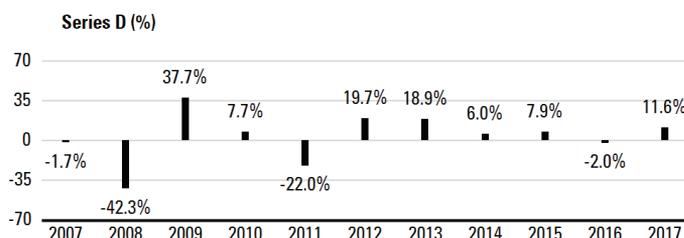
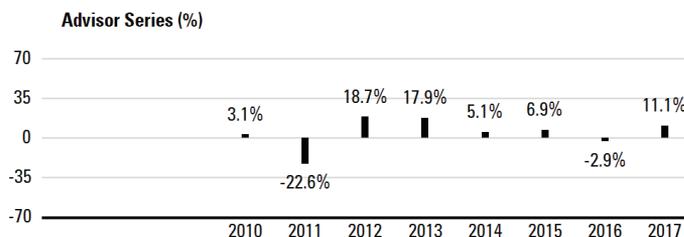
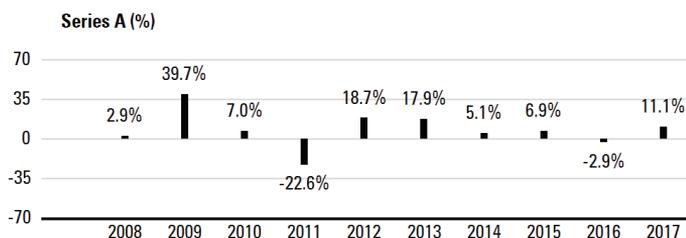
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since December 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2017
Investment Mix – Sectors

	% of Net Asset Value
Financials	24.1
Industrials	18.5
Consumer Discretionary	13.8
Consumer Staples	10.3
Health Care	8.0
Information Technology	7.7
Materials	7.5
Energy	5.2
Telecommunication Services	1.6
Utilities	1.5
Cash/Other	1.8

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-United Kingdom Equities	39.0
Japan Equities	20.5
Pacific Rim ex-Japan Equities	16.9
United Kingdom Equities	16.6
Middle East and Africa Equities	4.0
Cash/Other	3.0

Top 25 Holdings*

	% of Net Asset Value
Deutsche Post AG	4.8
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	4.5
Nidec Corp.	4.2
Naspers Ltd.	4.1
AIA Group Ltd.	4.0
InterContinental Hotels Group Plc.	4.0
Unilever Plc.	3.9
Anheuser-Busch InBev S.A./N.V.	3.8
Roche Holdings AG Genussscheine	3.6
Kubota Corp.	3.3
ING Groep N.V.	3.2
St James's Place Plc.	3.2
Oil Search Ltd.	3.2
UBS Group AG	2.8
CRH Plc.	2.8
Partners Group Holding AG	2.6
Paddy Power Betfair Plc.	2.6
HDFC Bank Ltd.	2.3
Novo Nordisk A/S	2.3
Safran S.A.	2.3
HDFC Bank Ltd. ADR	2.3
ASML Holding N.V.	2.3
Oriental Land Co. Ltd.	2.3
Lloyds TSB Group Plc.	2.2
Komatsu Ltd.	2.2
Top 25 Holdings	78.8

* 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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

GLOBAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
GLOBAL EQUITY FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

Sub-Advisor: RBC Global Asset Management (UK) Limited

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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, as well as Japan, Australia and the rest of the Far East. The portfolio manager invests primarily in companies that they 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 \$206 million as of June 30, 2017.

Over the past six months, the Fund's Series O units gained 12.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Global stocks extended their gains in the first half of 2017, as all industry sectors posted double-digit gains except for Energy and Telecommunication Services, which declined. The extension of the equity rally stemmed from faster earnings growth and an improving global backdrop, as Europe's economic environment brightened. However, shares of companies that tend to benefit from faster economic growth underperformed due to concern that President Trump's pro-growth economic proposals would likely take longer than expected to be enacted by Congress. As the period came to an end, investors were turning their attention to companies that can outperform in periods of slower growth.

The Fund benefited from holdings in the Information Technology and Financials sectors and, to a lesser degree, stocks in the Consumer sector. Holdings in the Materials sector held back returns the most during the period, and Energy-sector holdings were also a negative. In terms of individual holdings, U.S. computer-game developer Activision Blizzard contributed the most to relative returns, followed by HDFC, an Indian financial company. CF Holdings, a U.S. maker of nitrogen-based fertilizers, and TJX, a U.S. discount retailer, had a negative impact on performance.

Recent Developments

The geopolitical landscape seems less volatile than it was 12 months ago. However, risks remain in the form of Middle East tensions, the U.K.'s Brexit negotiations and an uncertain U.S. political path. Valuations in some areas of the market appear to have outpaced earnings prospects, and the sub-advisor tries to avoid such situations.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (UK) Limited is the sub-advisor and provides investment advice for the Fund. The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund. The sub-advisor is paid by the manager from the management fee paid by the 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 A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2016 – \$2,000), or 0% (2016 – 2%) 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 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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 A												
June 30, 2017	14.36	0.16	(0.16)	0.23	1.41	1.64	—	—	—	—	—	16.02
Dec. 31, 2016	14.47	0.27	(0.28)	0.71	(0.81)	(0.11)	—	—	—	—	—	14.36
Dec. 31, 2015	11.82	0.23	(0.28)	0.73	1.95	2.63	—	—	—	—	—	14.47
Dec. 31, 2014	10.25	0.06	(0.22)	3.01	(1.28)	1.57	—	—	—	—	—	11.82
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
Advisor Series												
June 30, 2017	14.36	0.16	(0.16)	0.23	1.30	1.53	—	—	—	—	—	16.01
Dec. 31, 2016	14.47	0.27	(0.28)	0.70	(0.94)	(0.25)	—	—	—	—	—	14.36
Dec. 31, 2015	11.82	0.23	(0.28)	0.73	1.94	2.62	—	—	—	—	—	14.47
Dec. 31, 2014	10.25	0.06	(0.22)	3.00	(1.27)	1.57	—	—	—	—	—	11.82
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
Series D												
June 30, 2017	14.67	0.17	(0.09)	0.23	1.42	1.73	—	—	—	—	—	16.43
Dec. 31, 2016	14.69	0.28	(0.17)	0.72	(0.81)	0.02	—	(0.04)	—	—	(0.04)	14.67
Dec. 31, 2015	11.94	0.23	(0.16)	0.74	1.98	2.79	—	(0.06)	—	—	(0.06)	14.69
Dec. 31, 2014	10.27	0.06	(0.13)	3.02	(1.28)	1.67	—	—	—	—	—	11.94
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
Series F												
June 30, 2017	14.86	0.17	(0.08)	0.24	1.30	1.63	—	—	—	—	—	16.66
Dec. 31, 2016	14.87	0.27	(0.14)	0.71	(0.58)	0.26	—	(0.07)	—	—	(0.07)	14.86
Dec. 31, 2015	12.10	0.24	(0.13)	0.75	1.99	2.85	—	(0.10)	—	—	(0.10)	14.87
Dec. 31, 2014	10.38	0.06	(0.11)	3.08	(1.31)	1.72	—	—	—	—	—	12.10
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
Series O												
June 30, 2017	15.06	0.17	(0.01)	0.24	1.48	1.88	—	—	—	—	—	16.96
Dec. 31, 2016	15.08	0.28	(0.01)	0.72	(0.85)	0.14	—	(0.21)	—	—	(0.21)	15.06
Dec. 31, 2015	12.26	0.24	(0.01)	0.77	2.04	3.04	—	(0.23)	—	—	(0.23)	15.08
Dec. 31, 2014	10.43	0.06	(0.01)	3.08	(1.31)	1.82	—	—	—	—	—	12.26
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

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.

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 A							
June 30, 2017	16.02	7 843	490	2.05	2.05	40.97	0.18
Dec. 31, 2016	14.36	6 953	484	2.06	2.06	47.90	0.20
Dec. 31, 2015	14.47	7 246	501	2.06	2.06	38.75	0.17
Dec. 31, 2014	11.82	3 640	308	2.09	2.09	131.52	0.28
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
Advisor Series							
June 30, 2017	16.01	4 142	259	2.05	2.05	40.97	0.18
Dec. 31, 2016	14.36	3 353	233	2.06	2.06	47.90	0.20
Dec. 31, 2015	14.47	3 686	255	2.06	2.06	38.75	0.17
Dec. 31, 2014	11.82	879	74	2.09	2.09	131.52	0.28
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
Series D							
June 30, 2017	16.43	63 226	3 848	1.19	1.19	40.97	0.18
Dec. 31, 2016	14.67	52 931	3 609	1.19	1.19	47.90	0.20
Dec. 31, 2015	14.69	52 874	3 600	1.19	1.19	38.75	0.17
Dec. 31, 2014	11.94	36 737	3 076	1.22	1.22	131.52	0.28
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
Series F							
June 30, 2017	16.66	11 260	676	0.94	0.94	40.97	0.18
Dec. 31, 2016	14.86	7 292	491	0.95	0.95	47.90	0.20
Dec. 31, 2015	14.87	2 536	171	0.95	0.95	38.75	0.17
Dec. 31, 2014	12.10	435	36	0.97	0.97	131.52	0.28
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
Series O							
June 30, 2017	16.96	119 263	7 030	0.07	0.07	40.97	0.18
Dec. 31, 2016	15.06	89 103	5 917	0.07	0.07	47.90	0.20
Dec. 31, 2015	15.08	54 566	3 619	0.07	0.07	38.75	0.17
Dec. 31, 2014	12.26	48 282	3 938	0.10	0.10	131.52	0.28
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

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 an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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 A	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 with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

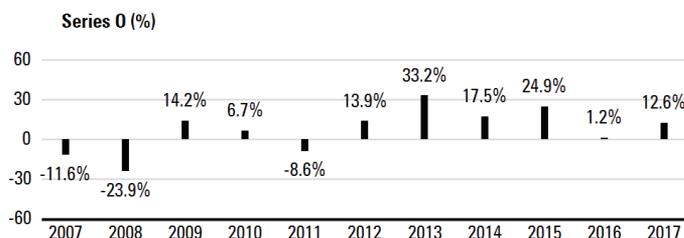
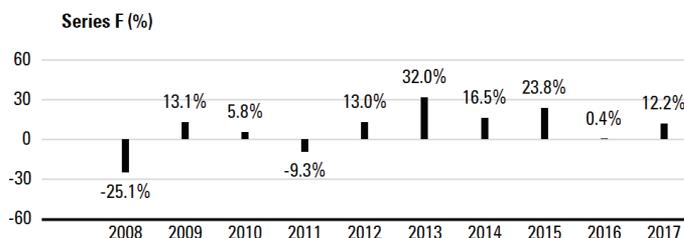
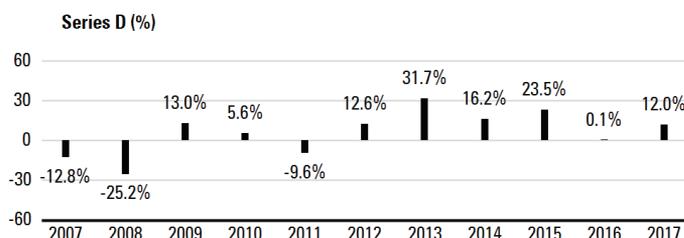
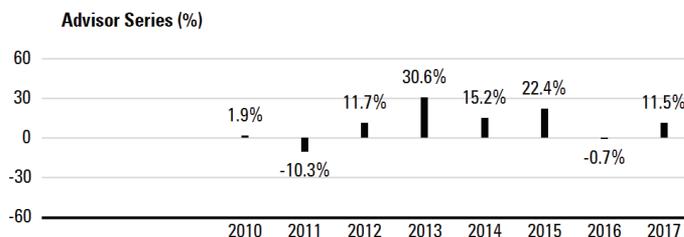
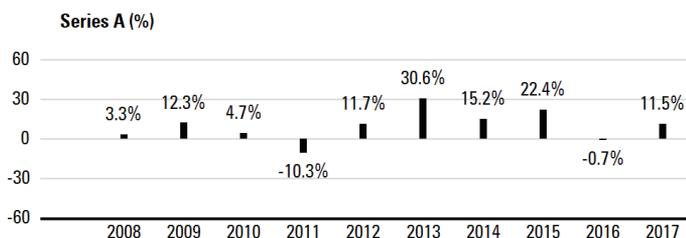
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since December 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. 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, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix – Sectors

	% of Net Asset Value
Financials	20.8
Information Technology	16.5
Consumer Discretionary	15.1
Health Care	13.6
Consumer Staples	11.2
Industrials	11.1
Energy	5.3
Materials	3.5
Utilities	1.9
Cash/Other	1.0

Investment Mix – Countries/Regions

	% of Net Asset Value
United States Equities	60.6
Europe ex-United Kingdom Equities	16.7
Pacific Rim ex-Japan Equities	8.5
United Kingdom Equities	6.2
Japan Equities	3.5
Middle East and Africa Equities	3.3
Cash/Other	1.2

Top 25 Holdings

	% of Net Asset Value
UnitedHealth Group Incorporated	4.4
EOG Resources Inc.	4.4
HDFC Bank Ltd. ADR	4.2
Estée Lauder Companies Inc., Class A	4.1
First Republic Bank	3.9
Roche Holdings AG Genussscheine	3.9
Fortive Corp.	3.9
Alphabet Inc., Class A	3.8
Deutsche Post AG	3.7
Blackstone Group LP	3.7
Unilever N.V.	3.6
Intuit Inc.	3.6
Nidec Corp.	3.5
Danaher Corp.	3.5
Anheuser-Busch InBev S.A./N.V.	3.4
Amazon.com, Inc.	3.3
Naspers Ltd.	3.3
InterContinental Hotels Group Plc.	3.2
TJX Companies Inc.	3.2
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3.1
Activision Blizzard Inc.	3.0
Gartner Inc.	3.0
CF Industries Holdings Inc.	2.5
SVB Financial Group	2.3
Paddy Power Betfair Plc.	2.1
Top 25 Holdings	86.6

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.rbcgam.com/funds, or by emailing us at info@phn.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2015 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 \$9 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 2.3%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. All of the fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Overall, the Fund’s equity holdings had a positive impact on returns, led by the RBC QUBE Low Volatility Global Equity Fund.

Recent Developments

Expectations are for faster global economic growth over the next few years than has been the case in the recent past, with bond yields poised to rise over the long term. However, fading confidence in President Trump’s ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund’s risk rating changed from low-to-medium to low.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the “IRC”). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	11.16	0.28	(0.05)	0.10	(0.10)	0.23	–	–	–	–	–	11.37
Dec. 31, 2016	10.96	0.29	(0.10)	0.18	0.19	0.56	(0.09)	(0.09)	(0.19)	–	(0.37)	11.16
Dec. 31, 2015	11.19	0.31	(0.11)	0.65	(0.22)	0.63	(0.13)	(0.09)	(0.65)	–	(0.87)	10.96
Dec. 31, 2014	10.65	0.39	(0.11)	0.46	0.45	1.19	(0.17)	(0.09)	(0.46)	–	(0.72)	11.19
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
Series O												
June 30, 2017	11.12	0.28	–	0.10	(0.12)	0.26	–	–	–	–	–	11.37
Dec. 31, 2016	10.92	0.29	(0.01)	0.19	0.18	0.65	(0.14)	(0.14)	(0.19)	–	(0.47)	11.12
Dec. 31, 2015	11.16	0.32	(0.01)	0.65	(0.22)	0.74	(0.19)	(0.13)	(0.65)	–	(0.97)	10.92
Dec. 31, 2014	10.63	0.39	(0.01)	0.47	0.46	1.31	(0.23)	(0.13)	(0.46)	–	(0.82)	11.16
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

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.

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, 2017	11.37	4 926	433	0.89	0.92	20.23	0.02
Dec. 31, 2016	11.16	6 306	565	0.90	0.92	28.96	0.03
Dec. 31, 2015	10.96	5 187	473	0.90	0.93	85.81	0.03
Dec. 31, 2014	11.19	4 843	433	0.96	1.01	34.41	0.08
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
Series O							
June 30, 2017	11.37	3 647	321	0.07	0.10	20.23	0.02
Dec. 31, 2016	11.12	3 381	304	0.08	0.11	28.96	0.03
Dec. 31, 2015	10.92	2 750	252	0.08	0.12	85.81	0.03
Dec. 31, 2014	11.16	2 554	229	0.08	0.13	34.41	0.08
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

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.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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	0.75%	31%	69%

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

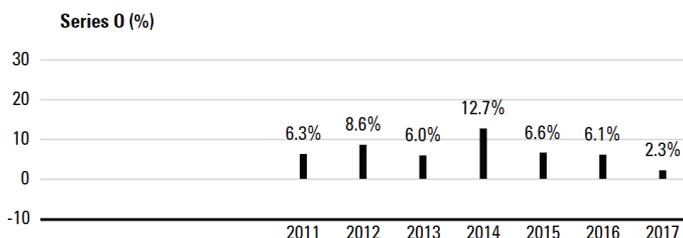
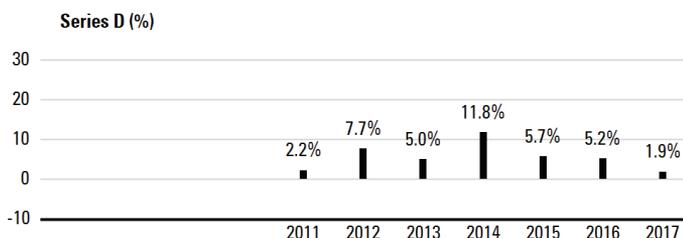
* Includes all costs related to management, investment advisory services, general administration and profit.

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 D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Bonds	62.3
Global Equities	19.3
Canadian Equities	12.4
United States Equities	4.1
Cash/Other	1.9

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Inflation-Linked Bond Fund	32.4
Phillips, Hager & North Bond Fund	31.0
RBC QUBE Low Volatility Global Equity Fund	19.4
Phillips, Hager & North Canadian Equity Underlying Fund	6.3
Phillips, Hager & North Conservative Equity Income Fund	6.2
Vanguard Real Estate Investment Trust Fund	4.1
Phillips, Hager & North Canadian Money Market Fund	0.5
Cash & Cash Equivalents	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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2020 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 \$31 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 2.5%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Overall, the Fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North Inflation-linked Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Overall, the Fund’s equity holdings had a positive impact on returns, led by the RBC QUBE Low Volatility Global Equity Fund.

Recent Developments

Expectations are for faster global economic growth over the next few years than has been the case in the recent past, with bond yields poised to rise over the long term. However, fading confidence in President Trump’s ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the “IRC”). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	12.42	0.41	(0.06)	0.13	(0.22)	0.26	–	–	–	–	–	12.68
Dec. 31, 2016	11.94	0.31	(0.12)	0.17	0.36	0.72	(0.06)	(0.11)	(0.09)	–	(0.26)	12.42
Dec. 31, 2015	11.87	0.34	(0.12)	0.61	(0.22)	0.61	(0.08)	(0.11)	(0.51)	–	(0.70)	11.94
Dec. 31, 2014	10.98	0.39	(0.12)	0.50	0.73	1.50	(0.11)	(0.10)	(0.45)	–	(0.66)	11.87
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
Series O												
June 30, 2017	12.33	0.41	–	0.13	(0.24)	0.30	–	–	–	–	–	12.64
Dec. 31, 2016	11.85	0.31	(0.01)	0.17	0.36	0.83	(0.10)	(0.18)	(0.09)	–	(0.37)	12.33
Dec. 31, 2015	11.81	0.34	(0.01)	0.61	(0.22)	0.72	(0.13)	(0.17)	(0.51)	–	(0.81)	11.85
Dec. 31, 2014	10.93	0.39	(0.01)	0.50	0.73	1.61	(0.17)	(0.16)	(0.45)	–	(0.78)	11.81
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

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.

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, 2017	12.68	18 471	1 457	0.95	0.96	25.45	0.04
Dec. 31, 2016	12.42	21 368	1 720	0.97	0.98	19.94	0.05
Dec. 31, 2015	11.94	14 303	1 198	0.96	0.98	63.64	0.04
Dec. 31, 2014	11.87	9 429	794	1.01	1.04	13.80	0.10
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
Series O							
June 30, 2017	12.64	12 740	1 008	0.08	0.09	25.45	0.04
Dec. 31, 2016	12.33	11 406	925	0.09	0.10	19.94	0.05
Dec. 31, 2015	11.85	8 448	713	0.09	0.10	63.64	0.04
Dec. 31, 2014	11.81	5 951	504	0.08	0.11	13.80	0.10
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

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.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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%	29%	71%

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

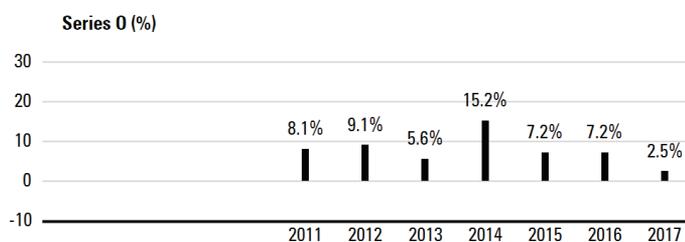
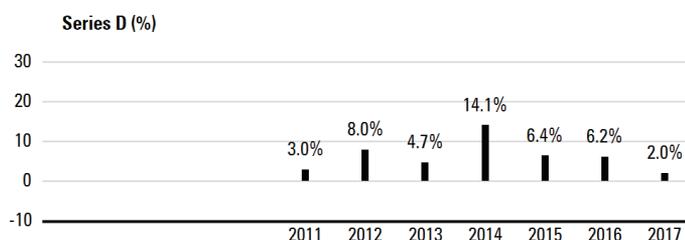
* Includes all costs related to management, investment advisory services, general administration and profit.

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 D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Bonds	55.5
Global Equities	24.7
Canadian Equities	12.4
United States Equities	4.9
Cash/Other	2.5

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Inflation-Linked Bond Fund	53.0
RBC QUBE Low Volatility Global Equity Fund	17.8
Phillips, Hager & North Canadian Equity Underlying Fund	6.3
Phillips, Hager & North Conservative Equity Income Fund	5.7
RBC Global Equity Focus Fund	3.7
Vanguard Real Estate Investment Trust Fund	3.5
Phillips, Hager & North High Yield Bond Fund	3.0
RBC Emerging Markets Equity Fund	2.1
RBC QUBE Global Equity Fund	1.2
Cash & Cash Equivalents	1.2
RBC U.S. Mid-Cap Value Equity Fund	1.1
Phillips, Hager & North Canadian Equity Value Fund	0.5
Phillips, Hager & North Canadian Money Market Fund	0.5
RBC U.S. Small-Cap Value Equity 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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2025 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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.

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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 \$34 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 2.9%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Overall, the Fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North Inflation-linked Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Overall, the Fund’s equity holdings had a positive impact on returns, led by the RBC Global Equity Focus Fund.

Recent Developments

Expectations are for faster global economic growth over the next few years than has been the case in the recent past, with bond yields poised to rise over the long term. However, fading confidence in President Trump’s ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the “IRC”). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	12.53	0.21	(0.06)	0.07	0.08	0.30	–	–	–	–	–	12.83
Dec. 31, 2016	12.01	0.32	(0.12)	0.18	0.41	0.79	(0.07)	(0.10)	(0.11)	–	(0.28)	12.53
Dec. 31, 2015	12.00	0.32	(0.13)	0.71	(0.29)	0.61	(0.06)	(0.10)	(0.59)	–	(0.75)	12.01
Dec. 31, 2014	10.96	0.38	(0.13)	0.50	0.85	1.60	(0.11)	(0.09)	(0.45)	–	(0.65)	12.00
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
Series O												
June 30, 2017	12.44	0.21	–	0.07	0.07	0.35	–	–	–	–	–	12.79
Dec. 31, 2016	11.93	0.32	(0.01)	0.18	0.42	0.91	(0.12)	(0.17)	(0.11)	–	(0.40)	12.44
Dec. 31, 2015	11.92	0.32	(0.01)	0.71	(0.29)	0.73	(0.11)	(0.17)	(0.59)	–	(0.87)	11.93
Dec. 31, 2014	10.90	0.38	(0.01)	0.50	0.85	1.72	(0.18)	(0.15)	(0.45)	–	(0.78)	11.92
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

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.

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, 2017	12.83	12 823	1 000	1.02	1.03	13.14	0.05
Dec. 31, 2016	12.53	13 440	1 073	1.03	1.03	15.09	0.06
Dec. 31, 2015	12.01	9 384	781	1.02	1.03	43.06	0.05
Dec. 31, 2014	12.00	5 862	488	1.07	1.10	11.45	0.10
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
Series O							
June 30, 2017	12.79	21 382	1 672	0.09	0.10	13.14	0.05
Dec. 31, 2016	12.44	18 663	1 501	0.09	0.10	15.09	0.06
Dec. 31, 2015	11.93	13 925	1 168	0.09	0.11	43.06	0.05
Dec. 31, 2014	11.92	9 957	835	0.08	0.11	11.45	0.10
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

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.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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%	28%	72%

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

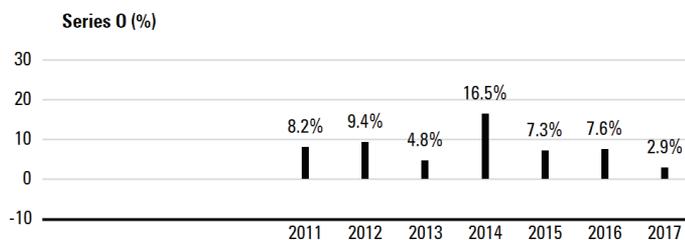
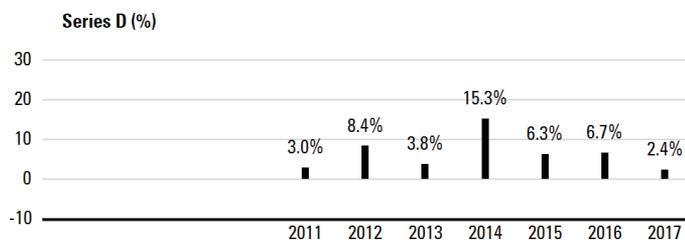
* Includes all costs related to management, investment advisory services, general administration and profit.

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 D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Bonds	50.8
Global Equities	27.0
Canadian Equities	13.2
United States Equities	6.9
Cash/Other	2.1

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	24.3
Phillips, Hager & North Inflation-Linked Bond Fund	23.9
RBC QUBE Low Volatility Global Equity Fund	12.3
RBC Global Equity Focus Fund	8.3
Phillips, Hager & North Canadian Equity Underlying Fund	7.1
Vanguard Real Estate Investment Trust Fund	4.5
RBC Emerging Markets Equity Fund	4.0
Phillips, Hager & North Conservative Equity Income Fund	3.3
Phillips, Hager & North High Yield Bond Fund	3.0
Phillips, Hager & North Canadian Equity Value Fund	3.0
RBC QUBE Global Equity Fund	2.7
RBC U.S. Mid-Cap Value Equity Fund	1.8
Cash & Cash Equivalents	0.8
RBC U.S. Small-Cap Value Equity Fund	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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2030 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 \$35 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 3.1%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Overall, the Fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North High Yield Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Overall, the Fund’s equity holdings had a positive impact on returns, led by the RBC Global Equity Focus Fund.

Recent Developments

Expectations are for faster global economic growth over the next few years than has been the case in the recent past, with bond yields poised to rise over the long term. However, fading confidence in President Trump’s ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

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- (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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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.

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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, 2017	12.32	0.04	(0.06)	0.07	0.26	0.31	–	–	–	–	–	12.63
Dec. 31, 2016	11.86	0.35	(0.13)	0.23	0.33	0.78	(0.09)	(0.09)	(0.21)	–	(0.39)	12.32
Dec. 31, 2015	11.93	0.32	(0.13)	0.75	(0.30)	0.64	(0.07)	(0.08)	(0.65)	–	(0.80)	11.86
Dec. 31, 2014	10.93	0.39	(0.13)	0.53	0.83	1.62	(0.10)	(0.09)	(0.46)	–	(0.65)	11.93
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
Series O												
June 30, 2017	12.23	0.04	–	0.07	0.26	0.37	–	–	–	–	–	12.60
Dec. 31, 2016	11.77	0.35	(0.01)	0.24	0.38	0.96	(0.15)	(0.16)	(0.21)	–	(0.52)	12.23
Dec. 31, 2015	11.86	0.32	(0.01)	0.74	(0.30)	0.75	(0.12)	(0.16)	(0.65)	–	(0.93)	11.77
Dec. 31, 2014	10.87	0.38	(0.01)	0.52	0.82	1.71	(0.17)	(0.15)	(0.46)	–	(0.78)	11.86
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

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.

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, 2017	12.63	7 221	572	1.07	1.08	9.40	0.06
Dec. 31, 2016	12.32	7 614	618	1.07	1.08	10.91	0.06
Dec. 31, 2015	11.86	3 752	316	1.07	1.08	34.53	0.06
Dec. 31, 2014	11.93	2 958	248	1.11	1.14	9.51	0.11
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
Series O							
June 30, 2017	12.60	27 432	2 177	0.09	0.10	9.40	0.06
Dec. 31, 2016	12.23	24 169	1 976	0.09	0.10	10.91	0.06
Dec. 31, 2015	11.77	17 077	1 450	0.09	0.11	34.53	0.06
Dec. 31, 2014	11.86	11 316	954	0.09	0.12	9.51	0.11
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

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.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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%	26%	74%

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

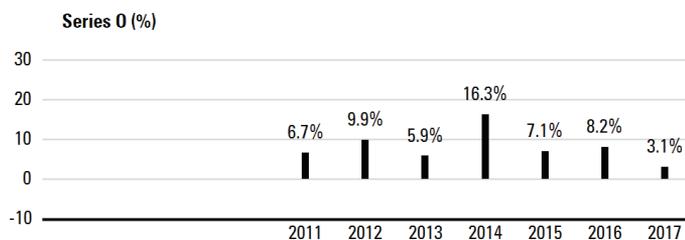
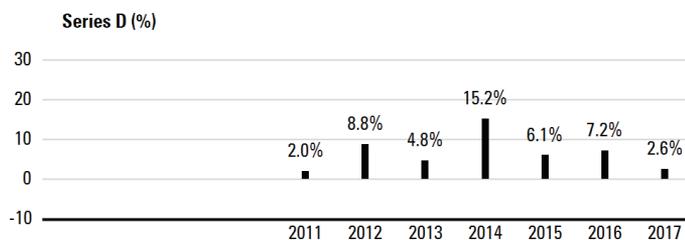
* Includes all costs related to management, investment advisory services, general administration and profit.

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 D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Bonds	49.6
Global Equities	27.1
Canadian Equities	13.1
United States Equities	8.1
Cash/Other	2.1

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	44.2
RBC Global Equity Focus Fund	12.4
Phillips, Hager & North Canadian Equity Underlying Fund	7.3
RBC QUBE Low Volatility Global Equity Fund	6.3
Phillips, Hager & North Canadian Equity Value Fund	5.6
Phillips, Hager & North High Yield Bond Fund	5.1
Vanguard Real Estate Investment Trust Fund	4.8
RBC Emerging Markets Equity Fund	4.5
RBC QUBE Global Equity Fund	4.1
RBC U.S. Mid-Cap Value Equity Fund	2.4
Phillips, Hager & North Inflation-Linked Bond Fund	1.0
RBC U.S. Small-Cap Value Equity Fund	1.0
Phillips, Hager & North Conservative Equity Income Fund	0.5
Phillips, Hager & North Canadian Money Market Fund	0.4
Cash & Cash Equivalents	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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2035 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 \$42 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 3.7%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Overall, the Fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North High Yield Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Overall, the Fund’s equity holdings had a positive impact on returns, led by the RBC Global Equity Focus Fund.

Recent Developments

Expectations are for faster global economic growth over the next few years than has been the case in the recent past, with bond yields poised to rise over the long term. However, fading confidence in President Trump’s ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund’s risk rating changed from medium to low-to-medium.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the “IRC”). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	12.52	0.03	(0.07)	0.04	0.38	0.38	–	–	–	–	–	12.91	
Dec. 31, 2016	12.07	0.34	(0.14)	0.25	0.41	0.86	(0.08)	(0.09)	(0.22)	–	(0.39)	12.52	
Dec. 31, 2015	12.13	0.32	(0.14)	0.82	(0.27)	0.73	(0.06)	(0.09)	(0.74)	–	(0.89)	12.07	
Dec. 31, 2014	11.19	0.39	(0.14)	0.62	0.74	1.61	(0.09)	(0.09)	(0.53)	–	(0.71)	12.13	
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	
Series O													
June 30, 2017	12.43	0.03	–	0.04	0.38	0.45	–	–	–	–	–	12.88	
Dec. 31, 2016	11.99	0.34	(0.01)	0.25	0.38	0.96	(0.14)	(0.17)	(0.22)	–	(0.53)	12.43	
Dec. 31, 2015	12.05	0.32	(0.01)	0.82	(0.27)	0.86	(0.11)	(0.17)	(0.74)	–	(1.02)	11.99	
Dec. 31, 2014	11.13	0.38	(0.01)	0.62	0.73	1.72	(0.15)	(0.18)	(0.53)	–	(0.86)	12.05	
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	

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.

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, 2017	12.91	6 715	520	1.13	1.14	6.71	0.07
Dec. 31, 2016	12.52	6 356	508	1.13	1.14	11.65	0.08
Dec. 31, 2015	12.07	5 209	432	1.13	1.14	36.79	0.08
Dec. 31, 2014	12.13	4 286	353	1.19	1.21	10.77	0.12
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
Series O							
June 30, 2017	12.88	34 860	2 706	0.09	0.10	6.71	0.07
Dec. 31, 2016	12.43	30 818	2 480	0.10	0.11	11.65	0.08
Dec. 31, 2015	11.99	21 230	1 771	0.10	0.11	36.79	0.08
Dec. 31, 2014	12.05	14 155	1 174	0.09	0.11	10.77	0.12
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

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.

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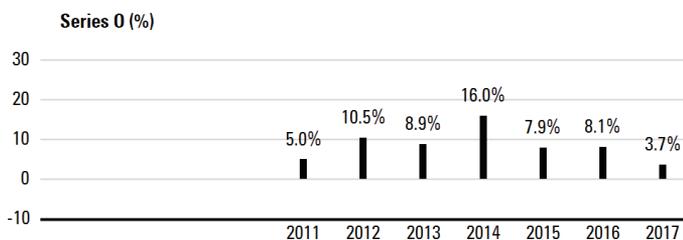
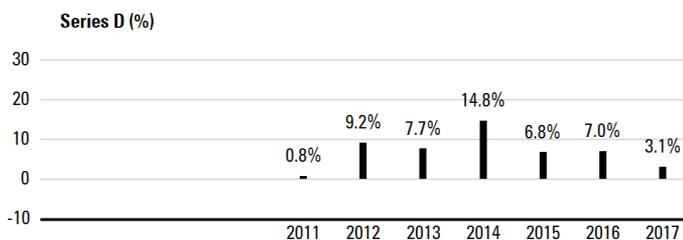
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(after consideration of derivative products, if any)

As at June 30, 2017

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	% of Net Asset Value
Bonds	45.7
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United States Equities	8.9
Cash/Other	2.2

Top 25 Holdings*

	% of Net Asset Value
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RBC Global Equity Focus Fund	16.4
Phillips, Hager & North Canadian Equity Underlying Fund	7.3
RBC Emerging Markets Equity Fund	6.6
Phillips, Hager & North Canadian Equity Value Fund	6.3
RBC QUBE Global Equity Fund	5.4
Phillips, Hager & North High Yield Bond Fund	5.1
Vanguard Real Estate Investment Trust Fund	4.6
RBC U.S. Mid-Cap Value Equity Fund	3.2
RBC QUBE Low Volatility Global Equity Fund	1.9
RBC U.S. Small-Cap Value Equity Fund	1.2
Phillips, Hager & North Canadian Money Market Fund	0.4
Cash & Cash Equivalents	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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2040 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 \$40 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 4.2%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Overall, the Fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North High Yield Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Overall, the Fund’s equity holdings had a positive impact on returns, led by the RBC Global Equity Focus Fund.

Recent Developments

Expectations are for faster global economic growth over the next few years than has been the case in the recent past, with bond yields poised to rise over the long term. However, fading confidence in President Trump’s ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund’s risk rating changed from medium to low-to-medium.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the “IRC”). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	12.60	0.03	(0.07)	0.03	0.46	0.45	–	–	–	–	–	13.06
Dec. 31, 2016	12.14	0.34	(0.14)	0.25	0.41	0.86	(0.07)	(0.09)	(0.24)	–	(0.40)	12.60
Dec. 31, 2015	12.14	0.34	(0.15)	0.83	(0.29)	0.73	(0.05)	(0.09)	(0.72)	–	(0.86)	12.14
Dec. 31, 2014	11.29	0.38	(0.15)	0.72	0.63	1.58	(0.07)	(0.09)	(0.61)	–	(0.77)	12.14
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
Series O												
June 30, 2017	12.50	0.03	–	0.03	0.46	0.52	–	–	–	–	–	13.03
Dec. 31, 2016	12.05	0.34	(0.01)	0.25	0.42	1.00	(0.13)	(0.17)	(0.24)	–	(0.54)	12.50
Dec. 31, 2015	12.06	0.34	(0.01)	0.83	(0.29)	0.87	(0.11)	(0.18)	(0.72)	–	(1.01)	12.05
Dec. 31, 2014	11.22	0.38	(0.01)	0.72	0.63	1.72	(0.14)	(0.18)	(0.61)	–	(0.93)	12.06
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

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.

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, 2017	13.06	4 190	321	1.17	1.18	6.17	0.07
Dec. 31, 2016	12.60	4 048	321	1.18	1.19	13.04	0.07
Dec. 31, 2015	12.14	3 294	271	1.21	1.22	35.55	0.08
Dec. 31, 2014	12.14	1 687	139	1.26	1.28	12.35	0.14
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
Series O							
June 30, 2017	13.03	36 199	2 779	0.09	0.10	6.17	0.07
Dec. 31, 2016	12.50	31 436	2 515	0.10	0.11	13.04	0.07
Dec. 31, 2015	12.05	22 083	1 833	0.10	0.12	35.55	0.08
Dec. 31, 2014	12.06	14 556	1 206	0.10	0.12	12.35	0.14
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

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.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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%	24%	76%

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

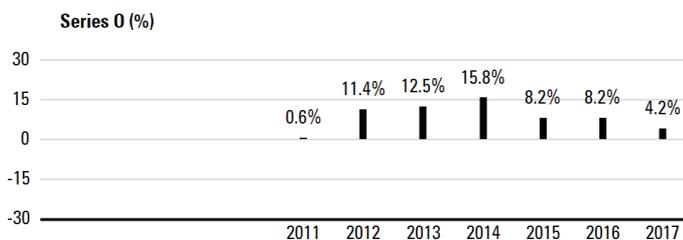
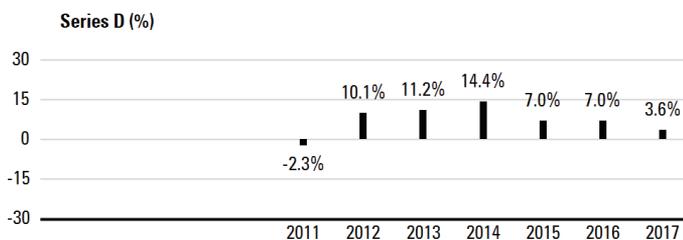
* Includes all costs related to management, investment advisory services, general administration and profit.

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 D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Bonds	39.7
Global Equities	33.3
Canadian Equities	14.3
United States Equities	10.4
Cash/Other	2.3

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	35.2
RBC Global Equity Focus Fund	19.2
RBC Emerging Markets Equity Fund	8.1
Phillips, Hager & North Canadian Equity Underlying Fund	7.4
Phillips, Hager & North Canadian Equity Value Fund	7.3
RBC QUBE Global Equity Fund	6.4
Phillips, Hager & North High Yield Bond Fund	5.1
Vanguard Real Estate Investment Trust Fund	4.8
RBC U.S. Mid-Cap Value Equity Fund	4.2
RBC U.S. Small-Cap Value Equity Fund	1.5
Phillips, Hager & North Canadian Money Market Fund	0.4
Cash & Cash Equivalents	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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2045 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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.

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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 \$82 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 5.1%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Overall, the Fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North High Yield Bond Fund.

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- (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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	13.16	0.03	(0.08)	0.04	0.60	0.59	–	–	–	–	–	13.75
Dec. 31, 2016	12.59	0.35	(0.16)	0.28	0.48	0.95	(0.04)	(0.11)	(0.18)	–	(0.33)	13.16
Dec. 31, 2015	12.38	0.36	(0.16)	0.82	(0.09)	0.93	(0.04)	(0.11)	(0.71)	–	(0.86)	12.59
Dec. 31, 2014	11.59	0.40	(0.16)	0.88	0.48	1.60	(0.04)	(0.10)	(0.68)	–	(0.82)	12.38
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
Series O												
June 30, 2017	13.07	0.03	–	0.04	0.58	0.65	–	–	–	–	–	13.73
Dec. 31, 2016	12.51	0.35	(0.01)	0.28	0.48	1.10	(0.09)	(0.22)	(0.18)	–	(0.49)	13.07
Dec. 31, 2015	12.31	0.36	(0.01)	0.83	(0.10)	1.08	(0.09)	(0.21)	(0.71)	–	(1.01)	12.51
Dec. 31, 2014	11.53	0.39	(0.01)	0.86	0.47	1.71	(0.09)	(0.21)	(0.68)	–	(0.98)	12.31
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

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.

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, 2017	13.75	6 411	466	1.26	1.26	4.42	0.09
Dec. 31, 2016	13.16	5 875	446	1.26	1.26	10.52	0.11
Dec. 31, 2015	12.59	4 379	348	1.25	1.26	37.28	0.10
Dec. 31, 2014	12.38	1 956	158	1.31	1.32	10.51	–
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	–
Series O							
June 30, 2017	13.73	75 401	5 491	0.11	0.11	4.42	0.09
Dec. 31, 2016	13.07	65 082	4 981	0.11	0.11	10.52	0.11
Dec. 31, 2015	12.51	45 335	3 625	0.11	0.11	37.28	0.10
Dec. 31, 2014	12.31	28 545	2 320	0.10	0.11	10.51	–
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	–

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.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at 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%	23%	77%

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

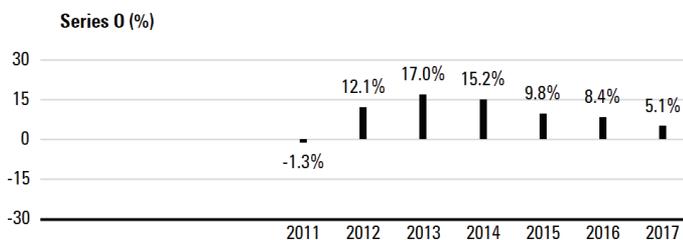
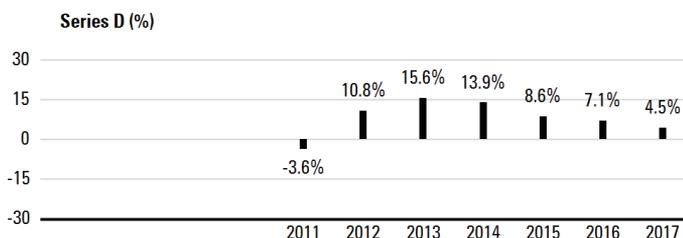
* Includes all costs related to management, investment advisory services, general administration and profit.

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 D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Global Equities	39.8
Bonds	29.8
Canadian Equities	16.4
United States Equities	11.6
Cash/Other	2.4

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	25.3
RBC Global Equity Focus Fund	23.1
RBC Emerging Markets Equity Fund	9.6
Phillips, Hager & North Canadian Equity Value Fund	8.4
Phillips, Hager & North Canadian Equity Underlying Fund	8.4
RBC QUBE Global Equity Fund	7.7
Phillips, Hager & North High Yield Bond Fund	5.1
RBC U.S. Mid-Cap Value Equity Fund	5.1
Vanguard Real Estate Investment Trust Fund	4.9
RBC U.S. Small-Cap Value Equity Fund	1.7
Phillips, Hager & North Canadian Money Market Fund	0.4
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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2050 FUND***June 30, 2017***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2017.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim 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 2050 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 \$18 million as of June 30, 2017.

Over the past six months, the Fund’s Series O units gained 5.8%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump’s pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the “Fed”) increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. Overall, the Fund’s fixed-income holdings had a positive impact on performance, led by the Phillips, Hager & North High Yield Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Overall, the Fund’s equity holdings had a positive impact on returns, led by the RBC Global Equity Focus Fund.

Recent Developments

Expectations are for faster global economic growth over the next few years than has been the case in the recent past, with bond yields poised to rise over the long term. However, fading confidence in President Trump’s ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

Effective June 30, 2017, the Fund’s risk rating changed from medium to low-to-medium.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the “IRC”). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. 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 holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from 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 Independent Review Committee 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, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim 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 compliance 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," for the periods prior to 2014, 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, 2017	10.81	0.03	(0.07)	0.02	0.56	0.54	–	–	–	–	–	11.37
Dec. 31, 2016	10.34	0.40	(0.14)	0.27	0.33	0.86	(0.03)	(0.07)	(0.18)	–	(0.28)	10.81
Dec. 31, 2015	9.88	0.48	(0.16)	0.68	(0.51)	0.49	(0.02)	(0.07)	(0.33)	–	(0.42)	10.34
Dec. 31, 2014 ³	10.00 [†]	0.22	(0.25)	0.49	(0.24)	0.22	(0.45)	(0.13)	–	–	(0.58)	9.88
Series O												
June 30, 2017	10.71	0.03	–	0.02	0.51	0.56	–	–	–	–	–	11.33
Dec. 31, 2016	10.25	0.37	(0.01)	0.25	0.47	1.08	(0.06)	(0.18)	(0.18)	–	(0.42)	10.71
Dec. 31, 2015	9.79	0.48	(0.03)	0.68	(0.50)	0.63	(0.05)	(0.18)	(0.33)	–	(0.56)	10.25
Dec. 31, 2014 ³	10.00 [†]	0.24	(0.20)	0.52	(0.25)	0.31	(0.55)	(0.16)	–	–	(0.71)	9.79

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 2014.

[†] 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, 2017	11.37	778	68	1.31	1.33	8.23	0.11
Dec. 31, 2016	10.81	610	56	1.32	1.35	16.14	0.12
Dec. 31, 2015	10.34	417	40	1.36	1.55	34.42	0.11
Dec. 31, 2014 ⁴	9.88	35	4	1.30	3.20	1.15	—
Series O							
June 30, 2017	11.33	17 110	1 511	0.10	0.12	8.23	0.11
Dec. 31, 2016	10.71	11 318	1 057	0.11	0.14	16.14	0.12
Dec. 31, 2015	10.25	3 140	306	0.11	0.30	34.42	0.11
Dec. 31, 2014 ⁴	9.79	157	16	0.06	1.96	1.15	—

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 June 2014.

Management Fees

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

Management fees of each series of the Fund are calculated at 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 with respect to 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 D and Series O units have been available for sale to unitholders since August 2014. Inception dates are not provided for series that have been in existence for more than 10 years. For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)
 As at June 30, 2017

Investment Mix

	% of Net Asset Value
Global Equities	45.5
Bonds	20.6
Canadian Equities	18.8
United States Equities	12.7
Cash/Other	2.4

Top 25 Holdings*

	% of Net Asset Value
RBC Global Equity Focus Fund	26.3
Phillips, Hager & North Long Inflation-Linked Bond Fund	16.1
RBC Emerging Markets Equity Fund	10.9
Phillips, Hager & North Canadian Equity Value Fund	9.6
Phillips, Hager & North Canadian Equity Underlying Fund	9.6
RBC QUBE Global Equity Fund	8.8
RBC U.S. Mid-Cap Value Equity Fund	5.7
Phillips, Hager & North High Yield Bond Fund	5.1
Vanguard Real Estate Investment Trust Fund	5.0
RBC U.S. Small-Cap Value Equity Fund	2.0
Cash & Cash Equivalents	0.6
Phillips, Hager & North Canadian Money Market Fund	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.rbcgam.com/funds, or by emailing us at info@phn.com.

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

RBC Funds and RBC Private Pools

By Phone

Investors: **1-800-463-FUND (3863)**

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