

ANNUAL INFORMATION FORM

June 30, 2016

Managed by Phillips, Hager & North Investment Management®*

Offering Series A[†], Advisor Series, Series H, Series D, Series F, Series I and Series O units of the following Phillips, Hager & North investment funds:

Money Market Funds

Phillips, Hager & North Canadian Money Market Fund²
Phillips, Hager & North U.S. Money Market Fund²

Fixed-Income Funds

Phillips, Hager & North Short Term Bond & Mortgage Fund²
Phillips, Hager & North Bond Fund²
Phillips, Hager & North Community Values Bond Fund²
Phillips, Hager & North Total Return Bond Fund²
Phillips, Hager & North Inflation-Linked Bond Fund²
Phillips, Hager & North High Yield Bond Fund²
Phillips, Hager & North Long Inflation-linked Bond Fund⁴

Balanced Funds

Phillips, Hager & North Monthly Income Fund³
Phillips, Hager & North Balanced Fund²
Phillips, Hager & North Balanced Pension Trust⁵
Phillips, Hager & North Community Values Balanced Fund²

Canadian Equity Funds

Phillips, Hager & North Dividend Income Fund²
Phillips, Hager & North Conservative Equity Income Fund⁴
Phillips, Hager & North Canadian Equity Fund²
Phillips, Hager & North Canadian Equity Pension Trust⁴
Phillips, Hager & North Small Float Fund⁵
Phillips, Hager & North Canadian Equity Plus Pension Trust⁵
Phillips, Hager & North Community Values Canadian Equity Fund²
Phillips, Hager & North Canadian Equity Value Fund²
Phillips, Hager & North Canadian Equity Underlying Fund⁴
Phillips, Hager & North Canadian Equity Underlying Fund II⁴
Phillips, Hager & North Canadian Growth Fund²
Phillips, Hager & North Canadian Income Fund²
Phillips, Hager & North Vintage Fund²

U.S. Equity Funds

Phillips, Hager & North U.S. Dividend Income Fund²
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund²
Phillips, Hager & North U.S. Equity Fund²
Phillips, Hager & North Currency-Hedged U.S. Equity Fund²
Phillips, Hager & North U.S. Growth Fund²

International Equity Funds

Phillips, Hager & North Overseas Equity Fund²
Phillips, Hager & North Overseas Equity Pension Trust⁴
Phillips, Hager & North Currency-Hedged Overseas Equity Fund²

Global Equity Funds

Phillips, Hager & North Global Equity Fund²
Phillips, Hager & North Community Values Global Equity Fund²

Target Date Funds

Phillips, Hager & North LifeTime 2015 Fund¹
Phillips, Hager & North LifeTime 2020 Fund¹
Phillips, Hager & North LifeTime 2025 Fund¹
Phillips, Hager & North LifeTime 2030 Fund¹
Phillips, Hager & North LifeTime 2035 Fund¹
Phillips, Hager & North LifeTime 2040 Fund¹
Phillips, Hager & North LifeTime 2045 Fund¹
Phillips, Hager & North LifeTime 2050 Fund¹

BonaVista Investment Funds

BonaVista Global Balanced Fund²
BonaVista Canadian Equity Value Fund²

[†] Prior to being renamed on June 30, 2016, Series A units of the Funds other than the Balanced Pension Trust, the Small Float Fund and the Canadian Equity Plus Pension Trust were known as Series C units.

¹ Offering Series D and Series O units only.

² Offering Series A, Advisor Series, Series D, Series F and Series O units only.

³ Offering Series A, Advisor Series, Series H, Series D, Series F, Series I and Series O units only.

⁴ Offering Series O units only.

⁵ Offering Series A and Series O units only.

None of the Balanced Pension Trust, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, or the Overseas Equity Pension Trust is a trust company; is registered under the *Trust Companies Act* (Alberta) or any other legislation applicable to trust companies or companies that carry on the business of a trust company; or carries on or intends to carry on the business of a trust company.

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

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

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Introduction

Effective May 1, 2008, Royal Bank of Canada (“Royal Bank”) acquired a 100% interest in Phillips, Hager & North Investment Management Ltd., the former manager of the Funds.

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

This Annual Information Form contains information about the Funds described in this document and is meant to supplement the information contained in the applicable simplified prospectus of the Funds (the “Simplified Prospectus”). The principal address of each of the Funds is 20th Floor, 200 Burrard Street, Vancouver, British Columbia, V6C 3N5.

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

- › calling us toll-free: for the Pension Trusts (as defined below) at 1-855-408-6111, and for all other Funds at 1-800-661-6141;
- › faxing us toll-free at 1-800-666-9899;
- › emailing us: for the Pension Trusts at *institutions@phn.com*, and for all other Funds at *info@phn.com*; or
- › contacting another dealer who sells our Funds.

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

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

In this Annual Information Form, “you” and “your” mean the investor; “we,” “us,” “our,” “Phillips, Hager & North” and “PH&N” mean Phillips, Hager & North Investment Management, a division of RBC GAM; the “Fund” or the “Funds” refer to one or more of the mutual funds described in this Annual Information Form; “Community Values Funds” means the Phillips, Hager & North Community Values Bond Fund, the Phillips, Hager & North Community Values Global Equity Fund, the Phillips, Hager & North Community Values Balanced Fund, and the Phillips, Hager & North Community Values Canadian Equity Fund; “Pension Trusts” means the Balanced Pension Trust, the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Small Float Fund, the Canadian Equity Plus Pension Trust and the Overseas Equity Pension Trust; “PH&N LifeTime Funds®”, “Phillips, Hager & North LifeTime Funds™” and “LifeTime Funds®” mean the LifeTime 2015 Fund, the LifeTime 2020 Fund, the LifeTime 2025 Fund, the LifeTime 2030 Fund, the LifeTime 2035 Fund, the LifeTime 2040 Fund, the LifeTime 2045 Fund and the LifeTime 2050 Fund; and “Underlying Funds” means the mutual funds held as part of a Fund’s portfolio.

When the Funds were created

Each of the Funds was created under the laws of the Province of British Columbia pursuant to an amended and restated master trust agreement dated as of June 30, 2016, as may be further amended and/or restated from time to time (the "Trust Agreement"), other than the Conservative Equity Income Fund, which was created pursuant to another trust agreement between RBC GAM and the trustee of the Funds. All of the Funds, including the Conservative Equity Income Fund, are open-end mutual funds governed by the Trust Agreement.

Each Fund was established on the date indicated in the following table (which, for the purpose of this document, means the date on which the Fund first offered its units; other series of the Fund may have been offered after this date). The table also shows whether, in the last 10 years, the Funds' names have changed and any major events affecting the Funds (such as amalgamations, mergers, reorganizations, asset transfers, changes in fundamental investment objectives or material investment strategies and changes in a portfolio manager or the manager).

PHILLIPS, HAGER & NORTH INVESTMENT FUND	DATE CREATED
Money Market Funds:	
Phillips, Hager & North Canadian Money Market Fund	July 1, 1986
Phillips, Hager & North \$U.S. Money Market Fund	October 22, 1990
Fixed-Income Funds:	
Phillips, Hager & North Short Term Bond & Mortgage Fund	December 15, 1993
Phillips, Hager & North Bond Fund	December 4, 1970
Phillips, Hager & North Community Values Bond Fund	August 26, 2002
Phillips, Hager & North Total Return Bond Fund	June 19, 2000
Phillips, Hager & North Inflation-Linked Bond Fund	June 25, 2009
Phillips, Hager & North High Yield Bond Fund	June 1, 1998
Phillips, Hager & North Long Inflation-linked Bond Fund	January 10, 2011
Balanced Funds:	
Phillips, Hager & North Monthly Income Fund	December 29, 2009
Phillips, Hager & North Balanced Fund	August 19, 1991
Phillips, Hager & North Balanced Pension Trust	September 23, 1988
Phillips, Hager & North Community Values Balanced Fund	August 26, 2002
Canadian Equity Funds:	
Phillips, Hager & North Dividend Income Fund	June 30, 1977
Phillips, Hager & North Conservative Equity Income Fund ¹	April 2, 2012
Phillips, Hager & North Canadian Equity Fund	June 1, 1971
Phillips, Hager & North Canadian Equity Pension Trust ²	March 17, 1998
Phillips, Hager & North Small Float Fund	February 14, 1994

PHILLIPS, HAGER & NORTH INVESTMENT FUND	DATE CREATED
Canadian Equity Funds (cont.):	
Phillips, Hager & North Canadian Equity Plus Pension Trust	November 24, 1966
Phillips, Hager & North Community Values Canadian Equity Fund	August 26, 2002
Phillips, Hager & North Canadian Equity Value Fund	December 29, 2009
Phillips, Hager & North Canadian Equity Underlying Fund	January 10, 2011
Phillips, Hager & North Canadian Equity Underlying Fund II	July 31, 2014
Phillips, Hager & North Canadian Growth Fund	February 1, 1987
Phillips, Hager & North Canadian Income Fund ³	July 31, 2003
Phillips, Hager & North Vintage Fund	April 11, 1986
U.S. Equity Funds:	
Phillips, Hager & North U.S. Dividend Income Fund	May 1, 2002
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	June 25, 2010
Phillips, Hager & North U.S. Equity Fund	September 1, 1964
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	June 22, 2006
Phillips, Hager & North U.S. Growth Fund	September 28, 1992
International Equity Funds:	
Phillips, Hager & North Overseas Equity Fund	December 1, 2000
Phillips, Hager & North Overseas Equity Pension Trust	December 1, 2000
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	June 22, 2006
Global Equity Funds:	
Phillips, Hager & North Global Equity Fund	September 26, 2000
Phillips, Hager & North Community Values Global Equity Fund	August 26, 2002
Target Date Funds:	
Phillips, Hager & North LifeTime 2015 Fund ⁴	January 10, 2011
Phillips, Hager & North LifeTime 2020 Fund ⁵	January 10, 2011
Phillips, Hager & North LifeTime 2025 Fund ⁶	January 10, 2011
Phillips, Hager & North LifeTime 2030 Fund ⁷	January 10, 2011
Phillips, Hager & North LifeTime 2035 Fund ⁸	January 10, 2011
Phillips, Hager & North LifeTime 2040 Fund ⁹	January 10, 2011
Phillips, Hager & North LifeTime 2045 Fund ¹⁰	January 10, 2011
Phillips, Hager & North LifeTime 2050 Fund	June 20, 2014

PHILLIPS, HAGER & NORTH INVESTMENT FUND	DATE CREATED
BonaVista Investment Funds:	
BonaVista Global Balanced Fund	June 22, 2006
BonaVista Canadian Equity Value Fund	June 22, 2006

- ¹ Until June 2015, units of this Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.
- ² Until June 2004, units of this Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.
- ³ Until June 2005, units of this Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.
- ⁴ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2015 Phillips, Hager & North." The English name of this Fund is unchanged.
- ⁵ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2020 Phillips, Hager & North." The English name of this Fund is unchanged.
- ⁶ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2025 Phillips, Hager & North." The English name of this Fund is unchanged.
- ⁷ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2030 Phillips, Hager & North." The English name of this Fund is unchanged.
- ⁸ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2035 Phillips, Hager & North." The English name of this Fund is unchanged.
- ⁹ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2040 Phillips, Hager & North." The English name of this Fund is unchanged.
- ¹⁰ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2045 Phillips, Hager & North." The English name of this Fund is unchanged.

Material amendments to trust agreements

The Trust Agreement for the Funds has been amended a number of times since the Funds were created. A description of the material amendments to the Trust Agreement for the Funds is set out below.

On April 1, 2004, the master trust agreements for the Funds that existed on that date, other than the U.S. Dividend Income Fund and the Community Values Funds, were amended to permit us to amend, delete, expand or vary any provision of the master trust agreements in certain circumstances without the consent of unitholders of the Funds. This amendment was approved by a majority of unitholders of these Funds at a meeting held on February 19, 2004.

In addition, on April 5, 2004, the master trust agreements for the Funds that existed on that date were amended, among other things:

- › with respect to all Funds, to consolidate the master trust agreements for the Funds into one single master trust agreement for all other Funds;
- › with respect to all Funds, to provide that the portion of the participation fees payable by us pursuant to Ontario Securities Commission Rule 13-502 – *Fees* (and other similar fees payable pursuant to other applicable securities laws) that we determine relate to a Fund, are chargeable to the Fund;
- › with respect to all Funds, to clarify our authority to fix in advance a time and date preceding any meeting of unitholders for the determination of unitholders entitled to notice of the meeting and/or to vote at the meeting;
- › with respect to all Funds other than the U.S. Dividend Income Fund and the Community Values Funds
 - to allow consolidations of units of any series of a Fund that are issued in connection with amounts distributed by the Fund to unitholders (i.e., on the reinvestment of distributions) and re-designations of units of any series of a Fund without notice to unitholders, provided that in the case of re-designations, the re-designation does not adversely affect the pecuniary value of the interests of holders of such units,
 - to eliminate the incorporation by reference into the master trust agreement of the investment policies, practices, objectives and restrictions of the Funds, and the requirement to seek unitholder approval for material changes to those investment policies, practices, objectives and restrictions,
 - to change the quorum for meetings of unitholders from a person we nominate and at least two unitholders holding at least 10% of the outstanding units of the Fund, to a person we nominate and at least two unitholders of the Fund (i.e., regardless of the percentage of outstanding units that they hold), and

- to clarify that fees and expenses of or associated with any person retained to provide services to the Funds with respect to the selection of the Funds' investments, exercise of voting rights attached to the Funds' investments or related matters are chargeable to the Funds;
- › with respect to the Canadian Money Market Fund, the \$U.S. Money Market Fund, the Short Term Bond & Mortgage Fund, the Bond Fund, the Total Return Bond Fund, the High Yield Bond Fund, the Balanced Fund, the Balanced Pension Trust, the Dividend Income Fund, the Canadian Equity Fund, the Canadian Equity Pension Trust, the Small Float Fund, the Canadian Equity Plus Pension Trust, the U.S. Equity Fund, the Canadian Growth Fund, the U.S. Growth Fund, and the Vintage Fund
 - to permit the fees of investment advisors retained by us to provide investment advisory services in respect of the Funds to be charged to each of the applicable Funds,
 - to provide us with a disclaimer of liability in respect of each of the applicable Funds provided we have acted in good faith and in accordance with our fiduciary duties to the Funds,
 - to protect the trustee for acting upon our instructions in respect of each of the applicable Funds. Previously, the master trust agreement provided that the trustee was entitled to protection in acting upon our instructions in respect of all of the Funds other than those set out above, and
 - to provide that the fees and expenses of the trustee will be a charge on and paid from the assets of the applicable Funds;
- › with respect to the Canadian Money Market Fund, the \$U.S. Money Market Fund, the Short Term Bond & Mortgage Fund, the Bond Fund, the Balanced Fund, the Balanced Pension Trust, the Dividend Income Fund, the Canadian Equity Fund, the Canadian Equity Pension Trust, the Small Float Fund, the U.S. Equity Fund, the Canadian Growth Fund, the U.S. Growth Fund and the Vintage Fund
 - to provide that each of these Funds will indemnify the trustee against losses it may incur in connection with the good faith performance of its duties under the master trust agreement, and
 - to provide that each of these Funds will indemnify us against losses we may incur in connection with the good faith performance of our duties under the master trust agreement; and
- › with respect to the High Yield Bond Fund, Canadian Equity Plus Pension Trust and Vintage Fund to remove the requirement for us to call a meeting of unitholders when requested by unitholders of these Funds.

On April 29, 2005, the master trust agreement for the Funds that existed on that date was amended with respect to the Canadian Money Market Fund, the \$U.S. Money Market Fund, the Short Term Bond & Mortgage Fund, the Bond Fund, the Total Return Bond Fund, the High Yield Bond Fund, the Balanced Fund, the Balanced Pension Trust, the Dividend Income Fund, the Canadian Equity Fund, the Canadian Equity Pension Trust, the Small Float Fund, the Canadian Equity Plus Pension Trust, the U.S. Equity Fund, the Canadian Growth Fund, the U.S. Growth Fund and the Vintage Fund, to remove the ability of unitholders to continue the existence of one or more of the applicable Funds after we have made a decision to terminate that Fund or Funds. Previously, the master trust agreement provided that unitholders of these Funds were entitled to continue their existence despite our intention to terminate and dissolve the Funds, by appointing a successor at a meeting of unitholders.

On July 1, 2002, the master trust agreement for the Funds that existed on that date was amended to create Series A and Series O units for each of the Funds (previously Series A units were simply referred to as "units") and on June 27, 2005, the master trust agreement for the Funds that existed on that date was amended to create Series R units for each of the Funds other than the Balanced Pension Trust, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, and the Overseas Equity Pension Trust.

On June 28, 2007, the master trust agreement for the Funds that existed on that date was amended to create Series B and F units for each of the Funds other than the Balanced Pension Trust, the Canadian Equity Pension Trust, the Small Float Fund, the Canadian Equity Plus Pension Trust, and the Overseas Equity Pension Trust, and to remove all reference to Series R units.

On June 27, 2008, the master trust agreement for the Funds that existed on that date was amended to reduce the management fees payable with respect to Series A and Series F units of certain Funds.

On November 12, 2008, the master trust agreement for the Funds that existed on that date was amended to create Series C units and to change the name of "Series A" units to "Series D" units effective November 17, 2008 for the following Funds: the Canadian Money Market Fund, the \$U.S. Money Market Fund, the Short Term Bond & Mortgage Fund, the Bond Fund, the Total Return Bond Fund, the High Yield Bond Fund, the Balanced Fund, the Canadian Income Fund, the Dividend Income Fund, the U.S. Dividend Income Fund, the Canadian Equity Fund, the Currency-Hedged U.S. Equity Fund, the U.S. Equity Fund, the Currency-Hedged Overseas Equity Fund, the Overseas Equity Fund, the Global Equity Fund, the Canadian Growth Fund, the Vintage Fund, the U.S. Growth Fund, the Community Values Bond Fund, the Community Values Balanced Fund, the Community Values Canadian Equity Fund, the Community Values Global Equity Fund, BonaVista Global Balanced Fund and BonaVista Canadian Equity Value Fund.

On June 25, 2009, the master trust agreement for the Funds that existed on that date was amended: (i) to create the Inflation-Linked Bond Fund and implement arrangements regarding administrative fees and other fund costs for the Inflation-Linked Bond Fund; and (ii) consistent with a notice sent to unitholders, to reflect changes to the management fees payable with respect to Series D and F units of the Vintage Fund, and a change to the way that the Vintage Fund pays for its operating expenses.

On November 1, 2009, the master trust agreement for the Funds that existed on that date was amended to implement arrangements regarding administrative fees and other fund costs for those Funds.

On April 1, 2010, the master trust agreement for the Funds that existed on that date was amended to: (i) reflect the appointment of RBC Dexia Investor Services Trust (now known as RBC Investor Services Trust) ("RBC IS") as trustee to replace State Street Trust Company Canada in that role; and (ii) conform the master trust agreement to the documentation standards of the new trustee.

On June 25, 2010, the master trust agreement for the Funds that existed on that date was amended to: (i) create the U.S. Multi-Style All-Cap Equity Fund and implement arrangements regarding administrative fees and other fund costs for the U.S. Multi-Style All-Cap Equity Fund; and (ii) create Advisor Series for each of the Funds other than the Balanced Pension Trust, the Canadian Equity Pension Trust, the Small Float Fund, the Canadian Equity Plus Pension Trust and the Overseas Equity Pension Trust.

On January 10, 2011, the master trust agreement for the Funds that existed on that date was amended to create the PH&N LifeTime Funds and the Long Inflation-linked Bond Fund and Canadian Equity Underlying Fund and implement arrangements regarding administrative fees and other fund costs for the PH&N LifeTime Funds and the Long Inflation-linked Bond Fund and Canadian Equity Underlying Fund.

On June 24, 2011, the master trust agreement for the Funds that existed on that date was amended to, among other things, create Series D units for the PH&N LifeTime Funds.

On June 26, 2012, the master trust agreement for the Funds that existed on that date was amended to create Series H and Series I units for the Short Term Bond & Mortgage Fund and the Monthly Income Fund and to re-designate Series B units as Series D units effective July 27, 2012.

On November 8, 2012, the master trust agreement for the Funds that existed on that date was amended to: (a) clarify that RBC GAM, or the trustee of the Funds on direction from RBC GAM, has the power to, on behalf of the Funds, (i) write, issue, purchase, hold, sell and exchange derivative products and contracts or otherwise enter into derivatives transactions, and (ii) enter into or participate in repurchase or reverse repurchase transactions or programs; (b) expand the definition of "custodian" in the master trust agreement to include any prime broker that provides custody services for assets or a portion of assets of a Fund pursuant to a prime brokerage agreement between the Fund and the prime broker; and (c) make certain other administrative amendments.

On April 11, 2013, the master trust agreement for the Funds that existed on that date was amended to create Series H and Series I units for the Total Return Bond Fund.

On June 24, 2013, the master trust agreement for the Funds that existed on that date was amended to create Series H and Series I units for the Canadian Equity Value Fund.

On June 28, 2013, the master trust agreement for the Funds that existed on that date was amended to create Series Z units of certain Funds.

On November 25, 2013, the master trust agreement for the Funds that existed on that date was amended to create Series N units of certain Funds and to reflect the termination of the Phillips, Hager & North Enhanced Income Equity Pension Trust effective July 12, 2013.

On June 20, 2014, the master trust agreement for the Funds that existed on that date was amended to create the 2050 LifeTime Fund and to make certain ancillary amendments relating to the timing of distributions in a taxation year.

On July 31, 2014, the master trust agreement for the Funds that existed on that date was amended to create the Canadian Equity Underlying Fund II.

On May 15, 2015, the master trust agreement for the Funds that existed on that date was amended to add the Conservative Equity Income Fund, which was previously created pursuant to another trust agreement between RBC GAM and the trustee of the Funds.

On June 30, 2016, the master trust agreement for the Funds that existed on that date was amended to: (i) decrease the management fee for certain series of certain Funds, (ii) reflect the re-designations of Series H units and Series I units of the Short Term Bond & Mortgage Fund, the Total Return Bond Fund and the Canadian Equity Value Fund as Series C units and Series F units, respectively, followed by the renaming of Series C units of all applicable investment funds under the master trust agreement as Series A units, (iii) reflect the change in auditor of the Funds effective July 1, 2016, (iv) reflect that unitholder consent is not required for a change of auditor, which is consistent with regulatory requirements for a change of auditor, effective July 1, 2016, and (v) make certain ancillary changes and changes of a housekeeping nature.

Investment restrictions

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

The fundamental investment objective of a Fund may not be changed without the consent of a majority of voting unitholders of the Fund. We can make other changes to the investment strategies and activities of a Fund without the consent of unitholders, subject to any required approval of the Canadian securities regulators and/or the Independent Review Committee (the "IRC") of a Fund.

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

All Funds – related issuer securities

Generally, the restrictions prevent a Fund from purchasing the securities of a related issuer. A Fund is permitted, however, to purchase the securities of a related issuer if the purchase is made on an exchange on which the securities are listed and

traded. This means a Fund can purchase, for example, listed common and preferred shares. RBC GAM has received relief which permits a Fund to purchase debt securities of a related issuer, provided that:

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

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

- (i) the size of the offering is at least \$100 million;
- (ii) at least two arm's-length purchasers collectively purchase at least 20% of the securities issued in the offering;
- (iii) following the purchase, the Fund does not have more than 5% of its net assets invested in the debt securities of the issuer;
- (iv) following the purchase, the Funds, together with other related funds offered under a prospectus, do not hold more than 20% of the securities issued in the offering; and
- (v) the purchase price is no more than the lowest price paid by any arm's-length purchaser.

All Funds – principal trading

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

- (i) the transaction occurs in the secondary market;
- (ii) the bid and ask price of the security must be determined by reference to a quote from an independent party if not publicly available;
- (iii) a purchase must not be executed at a price higher than the ask price and a sale must not be executed at a price which is lower than the bid price; and
- (iv) the transaction is subject to "market integrity requirements" as defined in Canadian securities legislation and any equivalent transparency and trade reporting requirements applicable to transactions in debt securities in international debt securities markets.

All Funds – related party underwriting

Generally, a Fund is prohibited from investing in securities in respect of which a related party has acted as underwriter during the distribution and for 60 days thereafter. A Fund is, however, permitted to purchase debt and equity securities in respect of which a related party has acted as underwriter if certain conditions in NI 81-102 are met, including, in respect of

equity securities, that a prospectus is filed in respect of the securities. RBC GAM has received relief which permits a Fund to purchase equity securities where a prospectus has not been filed, provided that:

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

RBC GAM has obtained relief which permits a Fund to purchase equity securities distributed in the United States and the United Kingdom, European Union, Switzerland, Norway, Australia, Hong Kong and Singapore (collectively, the "other jurisdictions") provided that:

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

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

- (i) if the securities are acquired in a distribution,
 - (A) at least one underwriter acting as underwriter in the distribution is not a related dealer;
 - (B) at least one purchaser who is independent and arm's-length to the Fund and the related dealer must purchase at least 5% of the securities distributed under the distribution;
 - (C) the price paid for the securities by the Fund in the distribution shall be no higher than the lowest price paid by any of the arm's-length purchasers who participate in the distribution; and
 - (D) the Fund and any related funds offered under a prospectus for which RBC GAM or its affiliate or associate acts as manager and/or portfolio manager can collectively acquire no more than 20% of the securities distributed under the distribution in which a related dealer acts as underwriter;
- (ii) if the securities are acquired in the 60-day period,
 - (A) the ask price of the securities is readily available as provided in Commentary 7 to section 6.1 of NI 81-107;
 - (B) the price paid for the securities by a Fund is not higher than the available ask price of the security; and
 - (C) the purchase is subject to market integrity requirements as defined in NI 81-107.

Inter-fund trades

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

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

Independent Review Committee review

Appropriate records of the related party transactions described above (referred to, collectively, as “Related Party Trading Activities”) must be maintained and, in certain cases, particulars must be filed with the securities regulatory authorities. In addition, the IRC must review and assess the adequacy and effectiveness of the policies and procedures of RBC GAM in respect of Related Party Trading Activities. The IRC and RBC GAM must act in accordance with the requirements of NI 81-107 in respect of standing instructions and reporting to securities regulatory authorities.

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

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

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

Additional information about the members of the IRC is disclosed under the heading *Independent Review Committee* on page 49.

All Funds (other than money market funds) – derivative transactions

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

The Funds (other than money market funds) have received from the securities regulatory authorities an exemption from certain of the derivatives rules in NI 81-102, which allows such Funds, when they use derivative instruments, to use as cover when a Fund has a long position in a debt-like security that has a component that is a long position in a forward contract or in a standardized futures or forward contract or when a Fund has a right to receive payments under a swap: (i) cash cover in an amount that, together with margin on account for the specified derivative and the market value of the specified derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the specified derivative; (ii) a right or obligation to sell an equivalent quantity of the underlying interest of the futures or forward contract, and cash cover that together with margin on account for the position, is not less than the amount, if any, by which the strike price of the futures or forward contract exceeds the strike price of the right or obligation to sell the underlying interest; (iii) a right or obligation to enter into an offsetting swap on an equivalent quantity and with an equivalent term and cash cover that together with margin on account for the position is not less than the aggregate amount, if any, of the obligations of the Fund under the swap less the obligations of the Fund under such offsetting swap; or (iv) a combination of the positions referred to in subparagraphs (i) and (ii) for debt-like securities with a long position in a forward or in a standardized futures or forward contract or of the positions referred to in subparagraphs (i) and (iii) in the case of a swap, that is sufficient, without recourse to other assets of the Fund, to enable the Fund to acquire the underlying interest of the futures or forward contract or satisfy its obligations under the swap.

All Funds – German exchange traded funds

RBC GAM has obtained relief which permits Funds whose investment objectives and strategies contemplate exposure to European equities to purchase securities of certain specified investment funds that are Undertakings for Collective Investment in Transferable Securities pursuant to the UCITS IV Directive (2009/65/EC), listed on the Frankfurt Stock Exchange and managed by BlackRock Asset Management Deutschland AG (“German ETFs”), provided that:

- (i) the investment by a Fund in German ETFs is in accordance with the fundamental investment objectives of the Fund;
- (ii) none of the German ETFs are synthetic exchange traded funds, meaning that they will not principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index;
- (iii) the investment by a Fund in a German ETF otherwise complies with section 2.5 of NI 81-102;
- (iv) a Fund does not invest more than 10% of its net asset value in securities issued by a single German ETF and does not invest more than 20% of its net asset value in securities issued by German ETFs in aggregate; and
- (v) a Fund does not acquire any additional securities of a German ETF, and shall dispose of any securities of a German ETF then held, in the event the regulatory regime applicable to the German ETF is changed in any material way.

Investing in the Funds

Each Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. Each unit of a series represents an undivided share of the Fund’s net assets, equal to the share of every other unit of the series.

Series A units may only be purchased, switched or redeemed through authorized third-party dealers except for Series A units of the Balanced Pension Trust, the Small Float Fund and the Canadian Equity Plus Pension Trust which may be purchased, switched or redeemed through us or other authorized dealers. As of the date of this Annual Information Form, Series A units of the Canadian Equity Pension Trust and the Overseas Equity Pension Trust are not available to investors. The Funds pay us management fees with respect to Series A units. A portion of this management fee that is charged to the Funds other than the Balanced Pension Trust, the Small Float Fund and the Canadian Equity Plus Pension Trust is paid by us to the dealer as an ongoing service fee known as a “trailing commission.”

Advisor Series units are available to investors who purchase units from authorized third-party dealers. Advisor Series units may only be purchased, switched or redeemed through authorized third-party dealers. The Funds pay us management fees with respect to Advisor Series units. A portion of this management fee that is charged to the Funds is paid by us to the dealer as a trailing commission. When you invest in Advisor Series units you may choose the initial sales charge or low-load sales charge option. Your dealer may switch your Advisor Series units purchased under the low-load sales charge option into Advisor Series units under the initial sales charge option. However, we do not initiate any such switches.

Series H units are only available to investors who invest and maintain the required minimum balance with authorized dealers, including RBC Dominion Securities Inc. and RBC Direct Investing Inc. Effective June 30, 2016, Series H units of the Monthly Income Fund are no longer available for purchase by new investors. Investors who held Series H units of the Monthly Income Fund on June 30, 2016 can continue to make additional investments into the Monthly Income Fund.

Series D units may be purchased, switched or redeemed through Phillips, Hager & North Investment Funds Ltd., a wholly-owned subsidiary of RBC GAM, certain other authorized dealers (primarily discount brokers and our affiliates) and, in some cases, RBC GAM. The Funds pay us management fees with respect to Series D units. A portion of this management fee is paid by us to the dealer, including Phillips, Hager & North Investment Funds Ltd., as a trailing commission.

Series F units are available to investors who have fee-based accounts with their dealers. These investors pay their dealer a fee directly for investment advice or other services. Series F units may only be purchased, switched or redeemed through authorized dealers, and not directly through us. The Funds pay us management fees with respect to Series F units. We do not pay any sales charge or commission to dealers who sell Series F units, which means we can charge a lower management fee.

Series I units are only available to investors who invest and maintain the required minimum balance and who have fee-based accounts with their dealers. These investors pay their dealer a fee directly for investment advice or other services. We do not pay any commission to dealers who sell Series I units, which means that we can charge a lower management fee. Effective June 30, 2016, Series I units of the Monthly Income Fund are no longer available for purchase by new investors. Investors who held Series I units of the Monthly Income Fund on June 30, 2016 can continue to make additional investments into the Monthly Income Fund.

Series O units are only available to large private or institutional investors who make the required minimum investment and minimum subsequent investment as determined by us from time to time. No management fees are charged to the Funds with respect to the Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2% for services. Series O units may only be purchased, switched or redeemed through us or, in certain circumstances, Phillips, Hager & North Investment Funds Ltd. and its affiliates.

When you invest in a mutual fund, you are combining your money with that of many other investors. We use this pool of money to buy a wide variety of investments on behalf of the entire group. We follow a set of guidelines outlined in the investment objectives and investment strategies of each Fund, including, with respect to the Community Values Funds, the investment principles described in the second part of the Simplified Prospectus under the heading *Introduction – Investment principles of the Community Values Funds*. You and all other investors share in any profits or losses the Fund makes.

Description of units of the Funds

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

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

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

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

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

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

- › any change in the way fees or expenses are calculated that could result in an increase in the fees or expenses charged to the Fund, or directly to unitholders of the Fund by the Fund or us in connection with the holding of units of the Fund, unless unitholders are provided with written notice of the increase at least 60 days before the increase becomes effective;
- › any introduction of a fee or expense to be charged to the Fund, or directly to unitholders of the Fund by the Fund or us in connection with the holding of units of the Fund, that could result in an increase in charges to the Fund or to its unitholders, unless unitholders are provided with written notice of the increase at least 60 days before the increase becomes effective;
- › for Advisor Series units only, any change in the way fees or expenses are calculated that could result in an increase in the fees or expenses charged to the Fund, or directly to unitholders of the Fund by the Fund or us in connection with the holding of units of the Fund;
- › for Advisor Series units only, any introduction of a fee or expense to be charged to the Fund, or directly to unitholders of the Fund by the Fund or us in connection with the holding of units of the Fund, that could result in an increase in charges to the Fund or to its unitholders;
- › a change of the manager of the Fund, unless the new manager is an “affiliate” (within the meaning of applicable securities laws) of RBC GAM;
- › a change in the fundamental investment objectives of the Fund;
- › except in the circumstances described below, a change of the auditors of the Fund;
- › a decrease in the frequency of the calculation of the net asset value per unit of the Fund; and
- › except in the circumstances described below, certain material reorganizations of the Fund.

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

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

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

Determining the value of your investment

To determine the value of your investment in a Fund, RBC GAM or one of its affiliates calculates the net asset value for each series of units of the Fund.

Calculation of unit value

The issue and redemption price of units of a series is based on the Fund’s net asset value per unit of that series (“unit value”), next determined after receipt of a purchase order or redemption order.

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

The unit value for each series is the basis for calculating the purchase price or redemption price for buying, switching or redeeming units of that series. We or our agent calculate the unit value for each series by dividing the net asset value for the series by the number of outstanding units of the series. We or our agent determine the unit value for each series at the close of trading on each valuation day.

A valuation day is defined as any day that the Toronto Stock Exchange is open for business, and/or any day or days as we determine, subject to compliance with applicable securities laws.

It is intended that a constant unit value for the Canadian Money Market Fund and the \$U.S. Money Market Fund be maintained by calculating and allocating the net income to the unitholders daily and distributing it monthly and net realized capital gains annually. However, there is no guarantee that the unit price will not fluctuate.

You can get the net asset value of a Fund or the unit value for a series of a Fund, at no cost, by (i) calling us toll-free at 1-855-408-6111, or by sending an email to *institutions@phn.com*, for information on the Pension Trusts or (ii) calling us toll-free at 1-800-661-6141, or by sending an email to *info@phn.com*, for all other Funds.

A Fund's assets

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

- › Cash, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received or receivable, distributions receivable and interest accrued and not yet received, will be valued at their full amount unless it is determined that the cash or other asset is not worth that amount. In such a case, a reasonable value will be determined.
- › Securities quoted in foreign currencies are translated to Canadian dollars using the prevailing rate of exchange as quoted by customary banking sources on the valuation day.
- › If the unit value of a Fund is also expressed in a foreign currency, the value in foreign currency is determined by using the prevailing rate of exchange as quoted by customary banking sources on the valuation day.
- › Bonds, debentures and other obligations are valued by taking the average of the latest available bid and ask quotations on the valuation day. Notes and money market instruments are valued at their current market value on the valuation day. This value may be determined based on the cost of the investments, which approximates market value after taking into account accrued interest which is recorded separately from the investment. If short-term instruments are sold, the difference between the cost and the proceeds (less income previously credited for such security) will be recorded as income, not capital.
- › The value of any security which is listed or dealt in any stock exchange or exchanges is generally determined by taking its latest available sale price of a board lot on the principal stock exchange on which it is listed. However, the following exceptions apply:
 - where such sales or records are not available, or if the last such sale is not within the latest available bid and ask quotations on the valuation day, the fair value of the listed security will be determined based on market quotations which are believed to most closely reflect the fair value of the investment;
 - in calculating the value of inter-listed investments, over-the-counter (“OTC”) rather than stock exchange quotations may be used when they appear to reflect more closely the fair value of any particular investment; but if such stock exchange or OTC quotations do not properly reflect the prices which would be received by the Fund upon the disposal of such investments, values may be placed upon such investments which appear to it to reflect most closely the fair value of such investments; and
 - in calculating the value of foreign securities listed or dealt in exchanges outside North America, values will be placed upon such securities which appear to reflect most closely the fair value of such securities. In particular, we or our agent have procedures in place to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. Accordingly, the value calculated on fair valued securities for purposes of calculating a Fund's net asset value may differ from that security's most recent closing market price. As a means of

evaluating our fair value process, we or our agent will routinely compare closing market prices, the next day's opening prices in the same markets, and adjusted fair value prices. These procedures are designed to minimize the potential for market timing strategies, which are largely focused on Funds with significant holdings of foreign securities. They may also be used in respect of foreign securities held by an Underlying Fund in which a Fund may invest, indirectly affecting the net asset value of the Fund.

- › Long positions in clearing corporation options, options on futures, OTC options, debt-like securities and listed warrants will be valued at their current market value.
- › Where a covered clearing corporation option, option on futures or OTC option is written, the premium received by a Fund shall be reflected as a deferred credit which will be valued at an amount equal to the current market value of the clearing corporation option, option on futures or OTC option that would have the effect of closing the position. Any differences resulting from the revaluation will be treated as unrealized gains or losses on investment. The deferred credit will be deducted in arriving at the net asset value of the Fund. The securities, if any, which are the subject of a written clearing corporation option or OTC option will be valued at their current market value.
- › The value of a futures contract, forward contract or swap will be the gain or loss that would be realized if, on the valuation day, the position in the futures contract, forward contract or swap, as the case may be, were to be closed out unless *daily limits* are in effect, in which case fair value will be determined based on the current market value of the underlying interest.
- › Margin paid or deposited in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash will be noted as held as margin.
- › The value of any security which is not listed or dealt in upon any stock exchange is determined at the most recently available sale price on a valuation day, or if such sale price is not available, at a sale price based on relevant market and/or company data that is believed to most closely reflect the fair value of the investment.
- › In this Annual Information Form, unless otherwise indicated, "current market value" means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the valuation time on the valuation day, provided that, if no sale has taken place on a valuation day, the average of the bid and ask quotations immediately prior to the valuation time on the valuation day shall be used.
- › The following principles are used to determine the net asset value of mortgages in a Fund's portfolio:
 - For conventional mortgages, a principal amount is determined that produces a yield equal to the yield of conventional mortgages sold by major lending institutions, if this is known on the valuation day, or that is equal to or not less than 0.25% below the interest rate for comparable mortgages on the valuation day.
 - For mortgages guaranteed under the *National Housing Act* (Canada), market value is used.
 - For any mortgages that go into arrears, the lower of the face value or market value as determined by a third-party valuation is used.
- › Units of the various Underlying Funds held by a Fund will be valued at their respective unit values on the relevant valuation day.
- › If a valuation day of a Fund is not a business day for a specific market, the prices or quotations of the prior business day will be used to value any asset or liability for such market.
- › Although we or our agent will generally determine the value of the assets of the Funds by following the valuation practices described above, we or our agent have the discretion to value the assets using other methods if we determine that these practices are not appropriate in the circumstances; however, this discretion has not been exercised in the past three years. It may be necessary to exercise such discretion in situations where market prices are not readily available (such as for certain restricted or unlisted securities, warrants and private placements) or securities may not be reliably priced (such as in the case of technical difficulties, trade suspensions or halts, price movement limits set by certain foreign markets,

and thinly traded or illiquid securities). We and our agent have policies in place regarding fair valuation and guidelines that provide guidance on how fair value should be determined. The application of fair value pricing represents a good faith determination based upon these guidelines. There can be no assurance that a Fund could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Fund determines its unit value.

A Fund's liabilities

A Fund's liabilities include:

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

Information about the Phillips, Hager & North Short Term Bond & Mortgage Fund

The Short Term Bond & Mortgage Fund is subject to National Policy Statement No. 29 of the Canadian Securities Administrators because more than 10% of its portfolio is invested in mortgages. National Policy Statement No. 29 sets out certain investment restrictions and disclosure requirements which apply to any mutual fund that invests more than 10% of its portfolio in mortgages.

Rules for determining the price of acquiring and selling a mortgage

When the Fund acquires a mortgage from a mortgage lender that is not associated with us or the Fund, the mortgage is acquired at a principal amount that produces at least the yield prevailing for the sale of comparable mortgages by major mortgage lenders under similar conditions.

When the Fund acquires mortgages from a mortgage lender that is associated with us or the Fund, it can use one of the following three methods for valuing the mortgage:

1. *Lender's rate method* – The mortgage is acquired at a principal amount which produces a yield equal to the interest rate for similar mortgages offered by the lending institution at the time the Fund acquires the mortgage.
2. *Forward commitment rate method* – The mortgage is acquired at a principal amount which produces a yield equal to the interest rate for similar mortgages offered by the lending institution on the date of commitment. The date of commitment cannot be more than 120 days before the date the Fund acquires the mortgage.
3. *Modified lender's rate method* – The mortgage is acquired at a principal amount which produces a yield of not more than 0.25% below the interest rate for similar mortgages offered by the lending institution at the time the Fund acquires the mortgage (the amount of this reduced yield is referred to as a "guarantee fee"). A provision of this method is that the lending institution must agree to repurchase the mortgage from the Fund when it benefits the Fund, and we must consider this agreement to justify the difference in the yield.

Each of these valuation methods produces a different mortgage yield:

- › The lender's rate method and the forward commitment rate method produce the same yield where there has been no change in the interest rate charged to mortgagors within the 120-day period.
- › The forward commitment rate method will result in a lower yield than the lender's rate method where interest rates have increased during the 120-day period.
- › The lender's rate method will result in a lower yield than the forward commitment rate method where interest rates have declined during the 120-day period.
- › The modified lender's rate method will result in a lower yield than the lender's rate method in all cases.
- › The modified lender's rate method will result in a higher yield than the forward commitment rate method where interest rates have increased by an amount which is more than the amount of the guarantee fee during the 120-day period.

- › The modified lender’s rate method will produce a lower yield than the forward commitment rate yield where there has been no change in the interest rate, where the interest rate has declined during the 120-day period or where the interest rate has increased during such period by less than the guarantee fee.

The Short Term Bond & Mortgage Fund buys and sells mortgages using the lender’s rate method when acquiring mortgages from a mortgage lender that is associated with us or the Fund. If we wanted to use one of the other two methods, we would have to get approval from the authorities responsible for regulating securities to make this change. The Fund has not bought mortgages from a mortgage lender that is associated with us or the Fund.

The Fund’s policy is to acquire multi-residential conventional first mortgages and mortgages guaranteed under the *National Housing Act* (Canada) on property located in Canada. The mortgages acquired by the Short Term Bond & Mortgage Fund during the financial year ended December 31, 2013 were purchased through CMLS Financial Inc. (“CMLS”), a company engaged in the mortgage brokerage business. CMLS administers the mortgages held by the Fund and assists in their valuation. One officer of RBC GAM is on the board of directors of CMLS.

How we determine the net asset value of mortgages

We use the following principles to determine the net asset value of mortgages in a Fund’s portfolio:

- › For conventional mortgages, we determine a principal amount that produces a yield equal to the yield of conventional mortgages sold by major lending institutions, if this is known on the valuation day, or that is equal to or not less than 0.25% below the interest rate for comparable mortgages on the valuation day.
- › For mortgages guaranteed under the *National Housing Act* (Canada), we use market value.
- › For any mortgages that go into arrears, we use the lower of the face value or market value as determined by a third-party valuation.

Mortgage portfolio analysis

An analysis of the Short Term Bond & Mortgage Fund’s mortgage portfolio on December 31, 2015 is set out in the following tables.

Mortgages by type of loan

TYPE	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)
CMHC insured	7	\$13,611	\$13,980
Conventional uninsured	180	\$634,651	\$646,479
Total	187	\$648,262	\$660,459

Mortgages by type of property

TYPE	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)	AMORTIZED COST (000s)
Single-family dwelling or condominium	0	\$0	\$0	\$0
Multi-unit dwelling up to 8 units	23	\$13,789	\$14,198	\$13,803
Multi-unit dwelling more than 8 units	164	\$634,473	\$646,261	\$636,222
Commercial	0	\$0	\$0	\$0
Industrial	0	\$0	\$0	\$0
Total	187	\$648,262	\$660,459	\$650,025

Mortgages by year of maturity as at December 31, 2015

YEAR OF MATURITY	NUMBER OF MORTGAGES	WEIGHTED AVERAGE INTEREST RATE (%)	PRINCIPAL (000s)	MARKET VALUE (000s)
2016	45	3.609%	\$100,770	\$101,379
2017	35	3.455%	\$124,906	\$126,736
2018	34	3.282%	\$132,429	\$135,034
2019	45	3.608%	\$114,754	\$118,597
2020	22	3.282%	\$112,912	\$115,694
2021	4	3.707%	\$22,601	\$23,528
2022	2	2.761%	\$39,890	\$39,491
Total	187		\$648,262	\$660,459

Mortgages by geographic location

PROVINCE	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)
Alberta	23	\$74,016	\$75,131
British Columbia	43	\$125,306	\$127,131
Manitoba	3	\$7,568	\$7,810
New Brunswick	3	\$8,018	\$8,133
Nova Scotia	6	\$12,360	\$12,676
Ontario	97	\$358,174	\$365,817
Prince Edward Island	3	\$5,924	\$6,088
Quebec	3	\$15,984	\$16,469
Saskatchewan	6	\$40,912	\$41,204
Total	187	\$648,262	\$660,459

Mortgages with installments 90 days or more in arrears

MORTGAGE TYPE	INSTALLMENTS IN ARREARS	NUMBER OF MORTGAGES	MARKET VALUE (000s)
CMHC insured	\$0	0	\$0
Conventional uninsured	\$0	0	\$0
Total	\$0	0	\$0

Contractual interest rates in groups

INTEREST RATES	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)	AMORTIZED COST (000s)
2.25%	4	\$36,088	\$36,145	\$36,154
2.50%	5	\$26,523	\$26,560	\$26,589
2.75%	20	\$133,411	\$133,480	\$133,626
3.00%	19	\$86,759	\$87,650	\$86,951
3.25%	23	\$86,097	\$88,120	\$86,386
3.50%	43	\$143,719	\$147,695	\$144,141
3.75%	35	\$50,045	\$51,837	\$50,177
4.00%	7	\$19,838	\$20,430	\$19,889
4.25%	10	\$14,822	\$15,065	\$14,865
4.50%	8	\$30,147	\$31,873	\$30,328
4.75%	5	\$11,331	\$11,785	\$11,386
5.00%	2	\$432	\$432	\$432
5.25%	1	\$1,344	\$1,434	\$1,350
5.50%	4	\$7,217	\$7,437	\$7,258
5.75%	0	\$0	\$0	\$0
6.00%	1	\$489	\$516	\$493
Total	187	\$648,262	\$660,459	\$650,025

Purchases, switches and redemptions
How to buy, redeem and switch

It is up to you and your advisor to determine which series is appropriate for you. Different series may have different minimum investment levels, may require you to pay different fees and expenses, and may affect the compensation we pay to a dealer.

Series A, Series H, Series D, Series F, Series I and Series O units

Series A units may only be purchased, switched or redeemed through authorized third-party dealers except for Series A units of the Balanced Pension Trust, the Small Float Fund and the Canadian Equity Plus Pension Trust which may be purchased, switched or redeemed through us or other authorized dealers. As of the date of this Annual Information Form, Series A units of the Canadian Equity Pension Trust and the Overseas Equity Pension Trust are not available to investors. A portion of the management fee in respect of Series A units that is charged to the Funds other than the Balanced Pension Trust, the Small Float Fund and the Canadian Equity Plus Pension Trust is paid by us to the dealer as an ongoing service fee known as a "trailing commission."

Series H units are only available to investors who invest and maintain the required minimum balance with authorized dealers, including RBC Dominion Securities Inc. and RBC Direct Investing Inc. Effective June 30, 2016, Series H units of the Monthly Income Fund are no longer available for purchase by new investors. Investors who held Series H units of the Monthly Income Fund on June 30, 2016 can continue to make additional investments into the Monthly Income Fund.

Series D units may be purchased, switched or redeemed through Phillips, Hager & North Investment Funds Ltd., or certain other authorized dealers (primarily discount brokers) and, in some cases, us.

Series F units are available to investors who have fee-based accounts with their dealers. These investors pay their dealer a fee directly for investment advice or other services.

Series I units are only available to investors who invest and maintain the required minimum balance and who have fee-based accounts with their dealers. Effective June 30, 2016, Series I units of the Monthly Income Fund are no longer available for purchase by new investors. Investors who held Series I units of the Monthly Income Fund on June 30, 2016 can continue to make additional investments into the Monthly Income Fund.

Series O units are only available to large private or institutional investors who make the required minimum investment and minimum subsequent investment as determined by RBC GAM from time to time. Series O units may only be purchased, switched or redeemed through us or, in certain circumstances, Phillips, Hager & North Investment Funds Ltd. and its affiliates.

The unit value is the price used for all purchases and redemptions of units of that series (including purchases made on the reinvestment of distributions). The price at which units are issued or redeemed is based on the next applicable unit value determined after the receipt of the purchase or redemption order.

If you invest in the Funds through a registered dealer, the dealer may charge you a sales charge, commission or service fee. These charges are negotiated between you and the dealer.

Registered dealers include investment professionals such as independent brokers, dealers and mutual fund specialists. We pay trailing commissions to dealers with respect to Series A (for the Funds other than the Balanced Pension Trust, the Small Float Fund and the Canadian Equity Plus Pension Trust), Advisor Series, Series H and Series D units.

Advisor Series units

Advisor Series units may only be purchased, switched or redeemed through authorized third-party dealers.

You may make arrangements to buy, switch or redeem Advisor Series units of a Fund via the methods listed above.

When you invest in Advisor Series units of a Fund, you may choose the initial sales charge or low-load sales charge option. The choice of different purchase options requires you to pay different fees and expenses and affects the amount of compensation we pay to the dealer. Your dealer can help you decide which option is right for you. The sales charge compensates your dealer for the advice and service your dealer provides you.

- › Initial sales charge (paying when you buy your Advisor Series units) – a negotiable sales charge of between 0% and 5% of the amount you invest is paid to your dealer.
- › Low-load sales charge (paying when you redeem your Advisor Series units) – no sales charge is payable at the time of purchase. We will pay the dealer a selling commission of 1% of the net asset value of the Advisor Series units purchased by an investor choosing this option. See *Fees and expenses* in the Simplified Prospectus for a summary of the charges payable by investors with respect to this purchase option if the Advisor Series units are redeemed within a period of two years from the date of purchase.

All Series

If your balance falls below the minimum required balance for a particular Fund or series, or you otherwise become ineligible to hold a particular Fund or series, we may require you to bring the value of your account up to the minimum, or we may redeem, reclassify or switch your units, as applicable. Where a unitholder is or becomes a citizen or resident of the United States or a resident of any other foreign country, we may require such unitholder to redeem their units if their participation has the potential to cause adverse regulatory or tax consequences for a Fund or other unitholders of a Fund. If we redeem, reclassify

or switch your units, the effect will be the same as if you initiated the transaction. For redemptions in non-registered accounts, we may transfer the proceeds to you, and for redemptions in registered plans, we may transfer the proceeds to a registered savings deposit within the plan. We will not give you or your dealer notice prior to taking any action.

For us to act on an order to buy, redeem, reclassify or switch units, the telephone salesperson or your dealer must send the order to us on the same day it is received and assume all associated costs.

If we receive your order before 4:00 p.m. Eastern Time on a valuation day (and before 1:00 p.m. Eastern Time on December 24, if that day is a valuation day), your order will be processed using that day's unit value. A separate unit value is calculated for each series of units. If we receive your order after 4:00 p.m. Eastern Time on a valuation day (and after 1:00 p.m. Eastern Time on December 24, if that day is a valuation day), your order will be processed using the next valuation day's unit value. If we determine that the unit value will be calculated at a time other than after the usual closing time of the TSX, the unit value paid or received will be determined relative to that time. All orders are processed within three business days. If you are placing your order through another dealer, that dealer may establish earlier cut-off times. Check with your dealer for details.

We have the right to refuse any order to buy or switch units. We must do so within one business day from the time we receive the order. If your order is refused, your money will be returned to you in full, without interest.

Purchases

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

- › your name and account number;
- › the date of the transaction;
- › the name of the Fund(s) and dollar amount of units you want to buy;
- › a cheque made out to the trustee of the Funds, or if applicable, financial institution information for an Electronic Funds Transfer ("EFT"); and
- › your signature, if the transaction is submitted by mail or by fax.

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

To buy units through another registered dealer, contact the dealer directly. Your dealer is responsible for recommending the series most suitable for you.

When you buy units of a Fund through Phillips, Hager & North Investment Funds Ltd. or, in certain circumstances, us, you have to include full payment for your units with your order. If you buy units of a Fund through another registered dealer, you or your dealer must send us payment within three business days of the date they send in your order. For units of the Canadian Money Market Fund and the \$U.S. Money Market Fund, your dealer must send us payment within one business day of the date they send in your order. Your dealer is responsible for sending in your order the same day that they receive it from you.

If we do not receive payment in full within the time limits described above, or if a cheque is returned due to insufficient funds, the units that you bought will be redeemed on the next valuation day. If they are redeemed for more than you paid, the Fund will keep the difference. If they are redeemed for less than you paid, you or your dealer will be charged for the difference plus any costs. Your dealer may, in turn, charge you for these amounts.

Restrictions on purchases of units of certain Funds

Effective April 7, 2016, units of the High Yield Bond Fund are no longer available for purchase by new investors. Investors who held units of the High Yield Bond Fund on April 7, 2016 can continue to make additional investments into the High Yield Bond Fund. In addition, PH&N may also maintain capacity for certain investors, including investment funds managed by PH&N or its affiliates, that may invest in the High Yield Bond Fund. Please contact us or your dealer for more information.

Effective June 30, 2016, Series H and Series I units of the Monthly Income Fund are no longer available for purchase by new investors. Investors who held Series H and Series I units of the Monthly Income Fund on June 30, 2016 can continue to make additional investments into the Monthly Income Fund. Please contact us or your dealer for more information.

Effective July 4, 2016, units of the Short Term Bond & Mortgage Fund, the Bond Fund and the Community Values Bond Fund will no longer be available for purchase by new investors. Investors who hold units of the Short Term Bond & Mortgage Fund, the Bond Fund or the Community Values Bond Fund on July 4, 2016 can continue to make additional investments into the respective Fund. In addition, PH&N may also maintain capacity for certain investors, including investment funds managed by PH&N or its affiliates, that may invest in the respective Fund. Please contact us or your dealer for more information.

Short-term trading

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

With the exception of the Canadian Money Market Fund and \$U.S. Money Market Fund, we may impose a short-term trading fee of up to 2% of the current value of the units if you redeem or switch out units within seven days of purchasing or previously switching into a Fund. The fee is designed to protect unitholders from the costs associated with investors frequently purchasing and redeeming units of the Fund. Frequent trading can hurt a Fund's performance by forcing the portfolio manager to keep more cash in the Fund than would otherwise be needed, or to sell investments to meet redemptions. It may also increase a Fund's transaction costs. Short-term trading fees are designed to deter excessive trading and offset its associated costs and are paid to the Fund, not to us, and are in addition to any other redemption or switch fees that may be payable.

RBC GAM regularly monitors transactions in all funds it manages. RBC GAM has established criteria for acceptable transaction activity in an effort to eliminate activity that it deems potentially detrimental to long-term unitholders including activity associated with attempts to engage in market timing. We have the right to restrict or reject any purchase or switch order without any prior notice, including those transactions accepted by your dealer. Generally speaking, your trading may be considered excessive if you sell or switch your units of a Fund within 90 days of buying them on more than one occasion. Whether your trading is considered excessive or inappropriate will be determined by us at our sole discretion.

We will not charge a short-term trading fee in certain circumstances including:

- › for redemptions initiated by us or another investment fund managed by RBC GAM;
- › for re-designation of units from one series to another series of the same Fund;
- › for redemptions of \$2,500 or less;
- › for redemptions within five days of certain automated transactions;
- › for redemptions on omnibus accounts that represent the assets of many underlying investors; and
- › in extraordinary situations, for example, a financial emergency.

While we actively take steps to monitor, detect and deter excessive and inappropriate short-term trading, we cannot ensure that such trading activity will be completely eliminated.

Switching between Funds

You may redeem units of one Fund managed by RBC GAM to buy units of another Fund managed by RBC GAM or, in some cases, an affiliate. This is called "switching." You may do so as long as you:

- › maintain the relevant minimum balances in each Fund; and
- › switch for units purchased under the same sales charge option (Advisor Series only).

The same rules that apply for buying and redeeming units of the Funds apply to switches. Once we receive your order to switch, we will redeem your units in the Fund from which you are switching and use the proceeds to buy units of the other

Fund to which you are switching. There are no fees for switching units of the Funds into units of another investment fund managed by RBC GAM, other than short-term trading fees. Please see *Short-term trading* on page 24.

To switch units of one Fund for units of another investment fund managed by RBC GAM via the methods listed above through Phillips, Hager & North Investment Funds Ltd. or, in certain circumstances, through us, please provide the following information:

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

To switch units through another registered dealer, contact the dealer directly. For Advisor Series units, you are required to switch for units purchased under the same sales charge option.

Re-designations

You may, with our prior approval and if you are eligible, switch between series of units of a Fund, otherwise known as a “re-designation,” and if you are no longer eligible to hold a series of units, we will switch you out of that series to another series of units of the same Fund, as appropriate.

We do not charge any fees to switch between series of the same Fund.

Units of any series may at any time, without notice to unitholders but upon two days’ prior written notice to the trustee of the Funds, be re-designated by RBC GAM as units of a different series of the same Fund based on the applicable series unit value for the two series of units on the date of the re-designation, provided that no such re-designation shall be made which in the opinion of RBC GAM adversely affects the pecuniary value of the interest of the holder of such units.

Redemptions

With the exception of short-term trading fees, there are no charges for redeeming units of the Funds directly through us or Phillips, Hager & North Investment Funds Ltd. If you redeem units of the Funds through another registered dealer, that dealer may charge you a fee for redeeming your units.

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

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

- › your name and account number;
- › the date of the transaction;
- › the name of the Fund(s) and dollar amount of units you want to redeem;
- › the method of the redemption payment (e.g., cheque or EFT); and
- › your signature, if the transaction is submitted by mail or by fax.

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

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

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

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

When you may not be allowed to redeem your units

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

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

We reserve the right to require any unitholder of a Fund to redeem such unitholder's entire holding or a portion of units of the Fund at our sole discretion including where a unitholder is or becomes a U.S. citizen or resident of the United States or a resident of another foreign country if we conclude that their participation has the potential to cause adverse regulatory or tax consequences for a Fund or other unitholders of a Fund.

Fees and expenses

We may reduce part of the management fee borne by investors who have made substantial investments in the Funds. We may decide to do this for a number of reasons, including the value of the investor's assets that we manage and our relationship with the investor. We calculate the amount of the reimbursement using a sliding scale based on the value of the investor's assets that we manage. The amount of the reduction is not negotiable. It is determined by us, at our discretion.

We do not reimburse investors directly in respect of management fees. Instead, fees are reimbursed to the Funds, and the Funds make corresponding distributions (referred to as management fee distributions) to the qualifying investors. Each investor may choose to receive such distributions from a Fund in cash or as additional units of the Fund. Distributions made by a Fund in respect of reimbursed fees are normally considered distributions of the Fund's net income. However, in some circumstances such distributions may be, in whole or in part, distributions of the Fund's net realized capital gains or returns of capital. Return of capital represents a return to the investor of a portion of their own invested capital. See *Income tax considerations for investors* on page 52.

The reimbursement of a management fee to a Fund does not have any net tax consequences for the Fund. The resulting distribution to qualifying investors has the same income tax consequences to the investors as other distributions of the Fund's net income or net realized capital gains, or returns of capital from the Fund.

Adjusted management expense ratio

Effective June 30, 2016, the management fee was changed in respect of certain series of the following Funds. The following table shows what the management expense ratio ("MER") of the series offered under the simplified prospectus of the Funds for the period ended December 31, 2015 was and what it would have been if the change to the management fee had been in effect during the period.

PH&N FUNDS	2015 MER							
	SERIES A ¹ (%)		ADVISOR SERIES (%)		SERIES D (%)		SERIES F (%)	
	Actual	Adjusted	Actual	Adjusted	Actual	Adjusted	Actual	Adjusted
Fixed-Income Funds								
Phillips, Hager & North Short Term Bond & Mortgage Fund	1.16	1.05	1.16	1.05	–	–	0.61	0.50
Phillips, Hager & North Bond Fund	1.16	1.05	1.16	1.05	–	–	0.60	0.49
Phillips, Hager & North Community Values Bond Fund	1.15	1.04	1.15	1.04	–	–	0.60	0.49
Phillips, Hager & North Total Return Bond Fund	1.16	1.05	1.16	1.05	–	–	0.61	0.50
Canadian Equity Funds								
Phillips, Hager & North Dividend Income Fund	2.03	1.87	2.03	1.87	1.16	0.99	0.93	0.76
Phillips, Hager & North Canadian Equity Fund	2.02	1.85	2.02	1.85	1.15	0.98	0.92	0.76
Phillips, Hager & North Community Values Canadian Equity Fund	2.06	1.90	2.06	1.90	1.20	1.04	0.93	0.77
Phillips, Hager & North Canadian Equity Value Fund	2.03	1.87	2.03	1.87	1.19	1.02	0.94	0.77
Phillips, Hager & North Canadian Growth Fund	2.00	1.84	2.00	1.84	1.19	1.03	0.90	0.74
Phillips, Hager & North Canadian Income Fund	2.03	1.86	2.03	1.86	1.19	1.03	0.93	0.77
Phillips, Hager & North Vintage Fund	2.27	2.11	2.27	2.11	1.45	1.29	1.22	1.05
U.S. Equity Funds								
Phillips, Hager & North U.S. Dividend Income Fund	2.04	1.87	2.04	1.87	1.19	1.03	0.94	0.77
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	2.02	1.85	2.02	1.85	1.17	1.01	0.95	0.78
Phillips, Hager & North U.S. Equity Fund	2.05	1.89	2.05	1.89	1.18	1.02	0.94	0.78
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	2.05	1.89	2.05	1.89	1.21	1.05	0.95	0.78
Phillips, Hager & North U.S. Growth Fund	1.98	1.82	1.98	1.82	1.18	1.02	0.95	0.78
International Equity Funds								
Phillips, Hager & North Overseas Equity Fund	2.22	2.11	2.22	2.11	1.34	1.23	1.13	1.01
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	2.30	2.19	2.30	2.19	1.43	1.32	1.19	1.08

PH&N FUNDS	2015 MER							
	SERIES A ¹ (%)		ADVISOR SERIES (%)		SERIES D (%)		SERIES F (%)	
	Actual	Adjusted	Actual	Adjusted	Actual	Adjusted	Actual	Adjusted
BonaVista Investment Funds								
BonaVista Global Balanced Fund	2.36	2.08	2.36	2.08	–	–	–	–
BonaVista Canadian Equity Value Fund	2.00	1.84	2.01	1.84	1.19	1.02	0.94	0.77

¹ Series A units of the Funds listed above were formerly Series C units until they were renamed Series A units on June 30, 2016. The MER data under this column is with respect to Series C units of the Funds for the period ended December 31, 2015.

Management of the Funds

Manager and portfolio manager

RBC GAM, the manager and principal portfolio manager of the Funds, is an indirect wholly-owned subsidiary of Royal Bank. Phillips, Hager & North Investment Management is a division of RBC GAM principally responsible for carrying out RBC GAM's responsibilities as manager and principal portfolio manager of the Funds.

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

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

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

As principal portfolio manager, we are responsible for managing the investment portfolios of the Funds directly or through sub-advisors. The fees for sub-advisors related to us are paid by us and not by the Funds. We are responsible for the advice provided to the Funds even if it is provided through a sub-advisor. We have retained RBC Global Asset Management (UK) Limited ("RBC GAM UK") (an affiliate of RBC GAM) to act as a sub-advisor with respect to the Overseas Equity Fund, the Global Equity Fund, the Overseas Equity Pension Trust and the Community Values Global Equity Fund. Except in certain circumstances, our agreement with RBC GAM UK may be terminated only by 61 days' prior written notice to the other party. We have retained RBC Global Asset Management (U.S.) Inc. ("RBC GAM U.S.") (an affiliate of RBC GAM) to act as a sub-advisor to the U.S. Multi-Style All-Cap Equity Fund, the U.S. Equity Fund and the U.S. Growth Fund. Except in certain circumstances, our agreement with RBC GAM U.S. may be terminated only by 61 days' prior written notice to the other party. You may have difficulty in enforcing any legal rights against RBC GAM UK or RBC GAM U.S. because RBC GAM UK and RBC GAM U.S. are resident outside Canada and all or a substantial portion of their respective assets are situated outside Canada.

The fees for RBC GAM UK and RBC GAM U.S. are paid by us and not the Funds.

How to reach us

You can reach us at no cost by:

- › calling us: for the Pension Trusts at 1-855-408-6111, and for all other Funds at 1-800-661-6141; or
- › faxing us toll-free at 1-800-666-9899.

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

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

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

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

You can also reach us on the Internet at www.rbcgam.com or by email, for the Pension Trusts, at institutions@phn.com and, for all other Funds, at info@phn.com.

RBC GAM directors and executive officers

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

NAME AND MUNICIPALITY OF RESIDENCE	POSITION AND OFFICE HELD WITH RBC GAM	CURRENT PRINCIPAL OCCUPATION
Wayne Bossert Oakville, Ontario	Director	Deputy Chair and Head of Global Ultra-High Net Worth Clients and Canadian Private Banking, Royal Bank
Daniel E. Chornous Toronto, Ontario	Director and Chief Investment Officer	Chief Investment Officer, RBC GAM
Douglas Coulter Toronto, Ontario	Director and President, Retail	President, Retail, RBC GAM
Douglas A. Guzman Toronto, Ontario	Director and Chairman	Group Head, Wealth Management & Insurance, Royal Bank
Frank Lippa Toronto, Ontario	Chief Financial Officer and Chief Operating Officer	Chief Financial Officer and Chief Operating Officer, RBC GAM
Dave Y. Mun Toronto, Ontario	Director	Senior Vice President, Performance Management & Investor Relations, Royal Bank

NAME AND MUNICIPALITY OF RESIDENCE	POSITION AND OFFICE HELD WITH RBC GAM	CURRENT PRINCIPAL OCCUPATION
Lawrence A.W. Neilsen Vancouver, British Columbia	Chief Compliance Officer	Global Head of Compliance, RBC Global Asset Management
Damon G. Williams North Vancouver, British Columbia	Director, Chief Executive Officer and Ultimate Designated Person	Chief Executive Officer, RBC GAM
Gina Zapras Vaughan, Ontario	Corporate Secretary	Subsidiary Governance Officer, Royal Bank

Each of the people listed above has held his or her current position with RBC GAM (or one of our predecessor amalgamating entities, RBC Asset Management Inc. and/or Phillips, Hager & North Investment Management Ltd.), and his or her principal occupation during the five years preceding the date hereof, except for Wayne Bossert, who from June 2010 to February 2015 was Executive Vice President Sales, Canadian Banking, Royal Bank; Douglas A. Guzman, who from September 2006 to present is Managing Director, RBC Dominion Securities Inc. ("RBC DS") and from September 2008 to November 2015 was Head of Global Investment Banking, RBC DS; Dave Y. Mun, who from June 2014 to June 2016 was Vice President, Finance – Wealth Management, Royal Bank, from July 2012 to June 2014 was Vice President, Finance – Performance Management, Royal Bank and prior thereto held various positions with Royal Bank and RBC DS; Damon G. Williams, who from November 2010 to April 2015 was President, Institutional, RBC GAM; and Gina Zapras, who from June 2013 is Corporate Secretary, RBC GAM and prior thereto held various positions with RBC GAM and other affiliates as Subsidiary Governance Officer, Royal Bank.

Responsibility for investment decisions

The investment decisions for all Funds, other than for the Overseas Equity Fund, the Overseas Equity Pension Trust and for the non-North American equity assets of the Community Values Global Equity Fund are made by a team of portfolio managers. Some portfolio managers focus on certain Funds more than others; however, all of the portfolio managers share information, expertise and decision-making authority with respect to all the Funds so that no one individual is principally responsible for any one Fund.

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

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE
Chief Investment Officer	Daniel E. Chornous	Mr. Chornous is Chief Investment Officer, RBC GAM. He has been associated with RBC GAM since 2002.
Canadian equities	Stu Kedwell	Mr. Kedwell is Senior Vice President of RBC GAM and co-head of the Canadian Equities team. He has been associated with RBC GAM since 2002.
	Doug B. Stadelman	Mr. Stadelman is a Portfolio Manager and co-head of the Phillips, Hager & North Canadian Equities team. Prior to joining Phillips, Hager & North in 2007, he had 20 years' related experience with Canadian investment managers and dealers.

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE
Canadian equities (cont.)	Dennis G. Chan	Mr. Chan is a Portfolio Manager, Canadian Equities, and has been with Phillips, Hager & North since 2005.
	Doug Raymond	Mr. Raymond is Senior Vice President, a Portfolio Manager and co-head of the Canadian Equities team. He has been associated with RBC GAM for over 11 years and has 29 years of experience in equity markets.
	Scott A. Lysakowski	Mr. Lysakowski is a Portfolio Manager, Canadian Equities. Prior to joining Phillips, Hager & North in 2009, he had seven years' experience as a senior research analyst with RBC Asset Management Inc., a predecessor entity to RBC GAM.
	Warner L. Sulz	Mr. Sulz is a Portfolio Manager, Canadian Equities. Prior to joining Phillips, Hager & North in 2009, he had 16 years' management experience with a Canadian investment manager.
	Andrew Sweeney	Mr. Sweeney is Vice President of RBC GAM. Prior to joining Phillips, Hager & North Investment Management Ltd., one of the predecessor entities of RBC GAM, in 2007, he had 12 years' investment experience with Canadian investment managers.
	Terry Bacinello	Ms. Bacinello is Vice President and Senior Portfolio Manager. Since 1994, she has been associated with BonaVista Asset Management Ltd., which was amalgamated with RBC GAM in 2013.
	Shanthu David	Mr. David is a Senior Analyst. Prior to joining RBC GAM in 2012, he had eight years of related investment experience with Canadian investment managers.
Foreign equities	Ray Mawhinney	Mr. Mawhinney is Senior Vice President, a Portfolio Manager and head of the U.S. Equity team. He has been with RBC GAM for 21 years and has managed U.S. equities for a total of 27 years.
	Brad Willock	Mr. Willock is Vice President and Senior Portfolio Manager, U.S. Equities. He has been associated with RBC GAM since 2002.
Fixed-income	Hanif Mamdani	Mr. Mamdani is Head of Alternative Investments and also leads corporate bond investments with the fixed-income group. Prior to joining Phillips, Hager & North in 1998, he had 10 years' investment experience with two U.S. investment banks.

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE
Fixed-income (cont.)	Stephen D. Burke	Mr. Burke is a Portfolio Manager, Fixed-Income. Prior to joining Phillips, Hager & North in 2002, he had eight years' investment experience with two Canadian investment managers.
	Bradley H. Woiken	Mr. Woiken is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 1999.
	Kristian R. Sawkins	Mr. Sawkins is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 2002.
	Emil Khimji	Mr. Khimji is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 2007.
	Justin Jacobsen	Mr. Jacobsen is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 2006.
	Matthew Dubras	Mr. Dubras is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 1999.
	Andrew MacNeil	Mr. MacNeil is a Portfolio Manager, Fixed-Income and has been with Phillips, Hager & North since 2006.
Balanced	Sarah Riopelle	Ms. Riopelle is Vice President and Senior Portfolio Manager, Investment Solutions. She has been associated with RBC Asset Management Inc., one of the predecessor entities of RBC GAM, since 2003.
Asset-mix	Sarah Riopelle	Ms. Riopelle is Vice President and Senior Portfolio Manager, Investment Solutions. She has been associated with RBC Asset Management Inc., one of the predecessor entities of RBC GAM, since 2003.
	Milos Vukovic	Mr. Vukovic is Vice President, Investment Policy of RBC GAM. He has been associated with RBC Asset Management Inc., one of the predecessor entities of RBC GAM, since 2003.

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

The investment decisions for the Overseas Equity Fund, the Global Equity Fund, the Overseas Equity Pension Trust and the Community Values Global Equity Fund are made by our sub-advisor, RBC GAM UK. Habib Subjally from RBC GAM UK is the portfolio manager principally responsible for managing the strategies of these Funds. Mr. Subjally is a Senior Portfolio Manager

and Head, Global Equities for RBC GAM UK and has been associated with RBC GAM UK since 2014. Prior thereto, Mr. Subjally was associated with First State Investments (UK) Limited. The investment decisions of this individual are not subject to the oversight, approval or ratification of any committee. The investment decision-making process is supported by research and analysis by the investment team within RBC GAM UK. The investment sub-advisor agreement between RBC GAM and RBC GAM UK dated as of October 1, 2005, as amended, provides that it may be terminated on 61 days' prior written notice given by RBC GAM or by RBC GAM UK. RBC GAM also has the right to terminate the agreement immediately if RBC GAM UK commits certain acts or fails to perform its duties under the agreement. The agreement automatically terminates on the termination of RBC GAM as principal advisor in connection with the Fund. RBC GAM UK also provides certain investment services to RBC GAM pursuant to an investment services agreement dated as of September 1, 2009. The agreement may be terminated on 30 days' prior written notice given by RBC GAM or by RBC GAM UK. RBC GAM also has the right to terminate the agreement immediately if RBC GAM UK commits certain acts or fails to perform its duties under the agreement.

The investment decisions for the U.S. Multi-Style All-Cap Equity Fund are partially made by, and the investment decisions for the U.S. Equity Fund and the U.S. Growth Fund are made by, our sub-advisor RBC GAM U.S. Stuart Lippe from RBC GAM U.S. is the portfolio manager principally responsible for managing the U.S. Large Cap Value strategy. Mr. Lippe is a Vice President, Senior Portfolio Manager for RBC GAM U.S. and has been associated with RBC GAM U.S. since 2007. Stephen Kylander from RBC GAM U.S. is principally responsible for managing the U.S. Mid Cap Value strategy. Mr. Kylander is a Vice President, Senior Portfolio Manager for RBC GAM U.S. and has been associated with RBC GAM U.S. since 2006. Lance James from RBC GAM U.S. is principally responsible for managing the U.S. Small Cap Core and U.S. Small Cap Value strategies. Mr. James is a Managing Director, Senior Portfolio Manager for RBC GAM U.S. and has been associated with RBC GAM U.S. since 2006. Kenneth Tysko from RBC GAM U.S. is the portfolio manager principally responsible for managing the U.S. Mid Cap Growth Strategy. Mr. Tysko is a Managing Director, Senior Portfolio Manager for RBC GAM U.S. and has been associated with RBC GAM U.S. since 2001. The investment decisions of these individuals are not subject to the oversight, approval or ratification of any committee. The investment decision-making process is supported by the investment team within RBC GAM U.S.

Brokerage arrangements

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

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

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

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

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

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

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

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

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

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

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

For a list of any other dealer, broker or third party which provides research goods and services and/or order execution goods and services, call us, at no cost, for the Pension Trusts, at 1-855-408-6111 and, for all other Funds, 1-800-661-6141, or send an email, for the Pension Trusts, to institutions@phn.com and, for all other Funds, to info@phn.com.

Sub-advisors

RBC GAM UK follows the same policies and procedures relating to the use of client brokerage commissions as those described above.

RBC GAM U.S. directs brokerage transactions involving client brokerage commissions of the Funds in exchange for research goods and services and/or order execution goods and services. We have been advised that RBC GAM U.S. has adopted policies and procedures with respect to directing brokerage commissions in exchange for research goods and services and order execution goods and services that are consistent with the requirements of Section 28(e) of the *Securities Exchange Act of 1934* (U.S.). Pursuant to this provision, a sub-advisor is permitted to pay a higher commission to a broker or dealer that provides research goods and services and/or order execution goods and services (relative to the commission paid to another broker or dealer for executing a transaction), provided that such sub-advisor makes a good faith determination that the commission is reasonable in relation to the value of the allowable goods and services in terms of the particular transaction or the sub-advisor's overall responsibility with respect to its clients over whom it exercises investment discretion. RBC GAM U.S. periodically assesses the reasonableness of brokerage commissions directed to brokers or dealers, taking into account

the total amount of research goods and services and/or order execution goods and services provided by each broker or dealer from whom it receives such services. The research goods and services and order execution goods and services received by RBC GAM U.S. in exchange for brokerage commissions may be provided by the executing dealer directly or by a party other than the executing dealer.

Principal distributors

Phillips, Hager & North Investment Funds Ltd., a wholly-owned subsidiary of RBC GAM, acts as the principal distributor of Series D and, in certain circumstances, Series O units of the Funds, other than the Long Inflation-linked Bond Fund, the Canadian Equity Underlying Fund, the Canadian Equity Underlying Fund II, the Balanced Pension Trust, the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Overseas Equity Pension Trust and the Small Float Fund, for which RBC GAM acts as the principal distributor. As principal distributor, Phillips, Hager & North Investment Funds Ltd. is responsible for marketing and distributing units of the applicable Funds where permitted under applicable securities laws. The agreement whereby Phillips, Hager & North Investment Funds Ltd. agrees to act as principal distributor may be terminated by either party giving 60 days' notice in advance. The main office of Phillips, Hager & North Investment Funds Ltd. is in Vancouver, British Columbia.

As noted above, RBC GAM acts as the principal distributor of the Long Inflation-linked Bond Fund, the Canadian Equity Underlying Fund, the Canadian Equity Underlying Fund II, the Balanced Pension Trust, the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Overseas Equity Pension Trust and the Small Float Fund. As principal distributor, RBC GAM is responsible for marketing and distributing units of the applicable Funds where permitted under applicable securities laws. The head office of RBC GAM is in Toronto, Ontario.

Trustee and custodian

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

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

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

Registrars

RBC GAM, RBC IS and Royal Bank act as registrars of the Funds and maintain the register of investors at RBC GAM's Vancouver office, at RBC IS' Toronto office and at Royal Bank's Montréal office.

Auditor

The auditor of the Funds is currently Deloitte LLP, Chartered Professional Accountants, located in Toronto, Ontario. Effective July 1, 2016, PricewaterhouseCoopers LLP, Chartered Professional Accountants, located in Toronto, Ontario will become the auditor of the Funds.

Securities lending agent

RBC IS of Toronto, Ontario is the securities lending agent of the Funds that engage in securities lending pursuant to a securities lending agency agreement between RBC GAM as manager of the Funds and RBC IS dated July 27, 2010, as

amended (the "Securities Lending Agency Agreement"). RBC IS is a wholly owned subsidiary of Royal Bank and an affiliate of RBC GAM. In accordance with the Securities Lending Agency Agreement, RBC IS will value the loaned securities and collateral daily to ensure that the collateral is worth at least 102% of the value of the securities. Pursuant to the terms of the Securities Lending Agency Agreement, RBC IS will indemnify and hold harmless the Funds from any losses which may result from a breach of RBC IS' standard of care or from its negligence, fraud or wilful misconduct. Either party may terminate the Securities Lending Agency Agreement by giving the other party five business days' written notice.

Independent Review Committee

The IRC (formerly referred to as the Board of Governors) acts as the independent review committee that the Funds and other funds managed by RBC GAM are required to have pursuant to NI 81-107. The IRC reviews and provides input on conflicts of interest matters in respect of RBC GAM and the Funds. For further information, see the section *Fund governance – Independent Review Committee* on page 49.

Conflicts of interest

Principal holders of securities

(a) Funds

On May 31, 2016, the people, companies or other entities who beneficially owned, directly or indirectly, more than 10% of the outstanding units of a series of the Funds were as follows:

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Canadian Money Market Fund	Advisor	Individual Investor A*	83,968	28.7
Canadian Money Market Fund	Advisor	Individual Investor B*	30,356	10.4
Canadian Money Market Fund	C	Individual Investor C*	207,702	34.3
Canadian Money Market Fund	D	RBC Global Asset Management Inc.	4,339,483	15.0
Canadian Money Market Fund	F	Enfield Holdings Ltd.	126,201	36.4
Canadian Money Market Fund	F	0863730 B.C. Ltd.	39,087	11.3
Canadian Money Market Fund	F	Individual Investor D*	36,423	10.5
Canadian Money Market Fund	O	Alliance Account	19,551,224	19.0
Canadian Money Market Fund	O	RBC Financial Group Non-Registered	11,143,682	10.9
\$U.S. Money Market Fund	Advisor	Individual Investor E*	4,428	76.3
\$U.S. Money Market Fund	C	Individual Investor F*	24,329	18.0

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NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
\$U.S. Money Market Fund	C	Individual Investor G*	15,330	11.3
\$U.S. Money Market Fund	C	Individual Investor H*	13,648	10.1
\$U.S. Money Market Fund	O	Ticonderoga Investments Inc.	884,974	31.8
Short Term Bond & Mortgage Fund	H	IFF Holdings Inc.	2,098,299	36.7
Short Term Bond & Mortgage Fund	O	Phillips, Hager & North PRisM Balanced Fund	79,484,820	16.8
Short Term Bond & Mortgage Fund	O	RBC Select Conservative Portfolio	79,004,752	16.7
Short Term Bond & Mortgage Fund	O	RBC Select Very Conservative Portfolio	75,312,317	15.9
Bond Fund	O	RBC Select Very Conservative Portfolio	156,380,990	19.3
Community Values Bond Fund	O	ELCIC – MAA	2,804,866	22.8
Community Values Bond Fund	O	Phillips, Hager & North Community Values Balanced Fund	2,207,538	17.9
Community Values Bond Fund	O	The Diocese of New Westminster	1,830,008	14.9
Total Return Bond Fund	H	Individual Investor I*	278,949	13.8
Total Return Bond Fund	O	RBC Select Conservative Portfolio	172,517,795	30.8
Total Return Bond Fund	O	RBC Select Very Conservative Portfolio	88,130,424	15.7
Total Return Bond Fund	O	RBC Select Balanced Portfolio	75,023,508	13.4
Inflation-Linked Bond Fund	O	Phillips, Hager & North LifeTime 2020 Fund	1,006,540	29.6

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NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Inflation-Linked Bond Fund	0	Gwaii Trust Society RRB	789,849	23.2
Inflation-Linked Bond Fund	0	Phillips, Hager & North LifeTime 2025 Fund	455,657	13.4
Inflation-Linked Bond Fund	0	Athilii Gwaii Legacy Trust RRB	437,927	12.9
High Yield Bond Fund	Advisor	Cressey Development Corp.	1,418,714	20.2
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2045 Fund	1,015,154	22.3
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2035 Fund	999,978	22.0
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2030 Fund	881,194	19.4
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2040 Fund	822,351	18.1
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2025 Fund	638,608	14.0
Monthly Income Fund	I	Quadra Equities Ltd.	152,094	17.0
Monthly Income Fund	0	Phillips, Hager & North Monthly Income Class	12,519,770	74.7
Monthly Income Fund	0	RBC PH&N Monthly Income GIF – Series 1	3,674,564	21.9
Balanced Fund	0	Sun Life UL Omnibus	245,429	11.6
Balanced Fund	0	CWT/CWB Group Plan	229,752	10.9
Balanced Pension Trust	A	Sheet Metal Workers Local Union 285 Defined Benefit Plan	4,036,905	21.3

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NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Balanced Pension Trust	A	Computer Sciences Canada – PWC Division	3,368,342	17.8
Balanced Pension Trust	A	Deseret Mutual Benefit Administrators	3,319,672	17.5
Balanced Pension Trust	A	PP for Transferred Employees of CSC at Nortel Networks	2,248,734	11.9
Balanced Pension Trust	A	Canadian Ford Dealers – Amalgamated	1,898,213	10.0
Balanced Pension Trust	O	Alliance Account	23,088,026	51.3
Balanced Pension Trust	O	London Life Balanced Pension Trust Fund 3.40PHN	8,668,880	19.3
Community Values Balanced Fund	C	Individual Investor J*	78,880	13.2
Community Values Balanced Fund	F	Individual Investor K*	20,362	13.3
Community Values Balanced Fund	F	Individual Investor L*	17,848	11.6
Community Values Balanced Fund	F	Individual Investor M*	17,374	11.3
Community Values Balanced Fund	O	McGill University PP – SRI	1,797,882	98.1
Conservative Equity Income Fund	O	AHS Short Bond Unrestricted	6,607,069	51.6
Conservative Equity Income Fund	O	AHS Balanced Growth	3,061,862	23.9
Canadian Equity Fund	Advisor	Individual Investor N*	1,725	12.6
Canadian Equity Fund	Advisor	Individual Investor O*	1,451	10.6
Canadian Equity Fund	F	Individual Investor P*	12,088	12.4
Canadian Equity Pension Trust	O	Carleton University Endowment Fund	6,649,765	18.2

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NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Canadian Equity Pension Trust	O	University of Victoria DRBA	5,401,943	14.7
Canadian Equity Pension Trust	O	Carleton University – Short Term Bonds	5,258,933	14.4
Canadian Equity Pension Trust	O	Phillips, Hager & North PRiSM Balanced Fund	5,240,083	14.3
Canadian Equity Pension Trust	O	IWA Ltd. Plan	3,768,579	10.3
Small Float Fund	A	Individual Investor Q*	17,264	60.1
Small Float Fund	A	Individual Investor R*	7,148	24.9
Small Float Fund	O	Phillips, Hager & North Canadian Equity Fund	5,255,196	53.0
Small Float Fund	O	Phillips, Hager & North Canadian Equity Pension Trust	1,249,821	12.6
Canadian Equity Plus Pension Trust	A	Concentra Trust ITF Michael Porter RCA Trust	15,261	35.1
Canadian Equity Plus Pension Trust	A	The Cumis Group RCA Trust	15,250	35.1
Canadian Equity Plus Pension Trust	A	BMO Group Retirement Services Inc.	10,199	23.5
Canadian Equity Plus Pension Trust	O	Alliance Account	953,131	77.0
Community Values Canadian Equity Fund	C	Individual Investor S*	5,933	10.6
Community Values Canadian Equity Fund	F	Individual Investor T*	7,339	15.4
Community Values Canadian Equity Fund	O	Phillips, Hager & North Community Values Balanced Fund	839,807	35.2

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NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Community Values Canadian Equity Fund	0	The Diocese of New Westminster	579,189	24.3
Canadian Equity Value Fund	I	Mohawk College of Applied Arts and Technology	136,279	19.4
Canadian Equity Value Fund	I	Mohawk College of Applied Arts and Technology	116,207	16.6
Canadian Equity Value Fund	I	Mohawk College of Applied Arts and Technology	115,006	16.4
Canadian Equity Value Fund	0	Dofasco SRIP	9,643,245	17.2
Canadian Equity Underlying Fund	0	RBC Select Balanced Portfolio	67,094,503	28.5
Canadian Equity Underlying Fund	0	RBC Select Conservative Portfolio	54,212,407	23.0
Canadian Equity Underlying Fund	0	Phillips, Hager & North Balanced Pension Trust	34,766,469	14.8
Canadian Equity Underlying Fund	0	RBC Select Growth Portfolio	33,096,462	14.1
Canadian Equity Underlying Fund II	0	RBC Select Balanced Portfolio	66,961,730	40.4
Canadian Equity Underlying Fund II	0	RBC Select Conservative Portfolio	64,411,165	38.8
Canadian Equity Underlying Fund II	0	RBC Select Very Conservative Portfolio	23,036,240	13.9
Canadian Growth Fund	Advisor	Individual Investor U*	1,541	25.0
Canadian Growth Fund	Advisor	Individual Investor V*	1,476	24.0
Canadian Growth Fund	Advisor	Individual Investor W*	1,089	17.7

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NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Canadian Growth Fund	Advisor	Individual Investor X*	888	14.4
Canadian Growth Fund	C	Individual Investor Y*	8,481	12.4
Canadian Growth Fund	F	Dorjola Holdings Ltd.	9,717	29.0
Canadian Growth Fund	F	Individual Investor Z*	7,988	23.8
Canadian Growth Fund	F	Individual Investor AA*	3,441	10.3
Canadian Growth Fund	O	RBC Select Growth Portfolio	8,366,839	70.1
Canadian Growth Fund	O	RBC Select Aggressive Growth Portfolio	2,375,113	19.9
Canadian Income Fund	Advisor	Individual Investor BB*	7,152	11.4
Canadian Income Fund	F	Individual Investor CC*	9,245	13.1
Canadian Income Fund	O	RBC Managed Payout Solution – Enhanced Plus	22,597,031	37.4
Canadian Income Fund	O	RBC Managed Payout Solution	21,870,895	36.2
Canadian Income Fund	O	RBC Managed Payout Solution – Enhanced	9,198,447	15.2
Vintage Fund	Advisor	Individual Investor DD*	9,244	34.3
Vintage Fund	C	Individual Investor EE*	11,294	17.0
Vintage Fund	C	Individual Investor FF*	7,347	11.0
U.S. Multi-Style All-Cap Equity Fund	Advisor	Individual Investor GG*	7,955	14.8
U.S. Multi-Style All-Cap Equity Fund	F	Individual Investor HH*	4,907	15.9
U.S. Multi-Style All-Cap Equity Fund	F	Individual Investor II*	4,355	14.1
U.S. Multi-Style All-Cap Equity Fund	F	Individual Investor JJ*	4,151	13.5

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NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
U.S. Multi-Style All-Cap Equity Fund	F	Individual Investor KK*	3,572	11.6
U.S. Multi-Style All-Cap Equity Fund	O	RBC Select Balanced Portfolio	75,991,357	29.4
U.S. Multi-Style All-Cap Equity Fund	O	RBC Select Conservative Portfolio	67,947,375	26.3
U.S. Multi-Style All-Cap Equity Fund	O	RBC Select Very Conservative Portfolio	37,333,716	14.5
U.S. Multi-Style All-Cap Equity Fund	O	RBC Select Growth Portfolio	30,031,238	11.6
U.S. Equity Fund	O	Phillips, Hager & North Currency-Hedged U.S. Equity Fund	925,914	14.4
Currency-Hedged U.S. Equity Fund	C	Individual Investor LL*	11,077	10.5
Currency-Hedged U.S. Equity Fund	F	Dorjola Holdings Ltd.	28,826	16.0
Currency-Hedged U.S. Equity Fund	F	608025 BC Ltd.	25,578	14.2
U.S. Growth Fund	Advisor	Individual Investor MM*	1,706	23.2
U.S. Growth Fund	Advisor	Individual Investor NN*	836	11.4
U.S. Growth Fund	C	Individual Investor OO*	5,681	10.2
U.S. Growth Fund	F	Dorjola Holdings Ltd.	39,618	46.4
Overseas Equity Fund	Advisor	341889 Alberta Ltd.	12,855	14.4
Overseas Equity Fund	O	Phillips, Hager & North Currency-Hedged Overseas Equity Fund	13,130,297	21.1
Overseas Equity Pension Trust	O	Arcelormittal Montréal Inc. – PP for Employees of Mittal Canada Inc.	5,690,873	89.7
Currency-Hedged Overseas Equity Fund	C	Individual Investor OO*	7,521	10.9

PHILLIPS, HAGER & NORTH INVESTMENT FUNDS Annual Information Form

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Currency-Hedged Overseas Equity Fund	C	IPP of Park Property Mgmt Inc. for Henry C. Popp	6,975	10.2
Currency-Hedged Overseas Equity Fund	F	Individual Investor PP*	47,407	11.7
Global Equity Fund	C	Individual Investor QQ*	146,193	28.2
Global Equity Fund	F	Individual Investor RR*	24,290	12.3
Global Equity Fund	O	London Life Global Equity Fund 3.57 PHN	612,538	19.4
Global Equity Fund	O	Alliance Account	485,950	15.4
Global Equity Fund	O	Municipal Insurance Association of British Columbia	470,266	14.9
Community Values Global Equity Fund	O	Social Housing Canadian Equity Fund	2,463,434	32.2
Community Values Global Equity Fund	O	Phillips, Hager & North Community Values Balanced Fund	1,481,884	19.4
Community Values Global Equity Fund	O	RBC Foundation	1,144,846	15.0
LifeTime 2015 Fund	O	Alliance Account	243,669	89.9
LifeTime 2020 Fund	D	Individual Investor SS*	187,544	11.8
LifeTime 2020 Fund	O	Alliance Account	762,716	95.1
LifeTime 2025 Fund	O	Alliance Account	1,248,792	95.7
LifeTime 2030 Fund	D	Individual Investor TT*	54,550	12.6
LifeTime 2030 Fund	O	Alliance Account	1,626,484	98.7
LifeTime 2035 Fund	O	Alliance Account	1,960,430	97.8

PHILLIPS, HAGER & NORTH INVESTMENT FUNDS Annual Information Form

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
LifeTime 2040 Fund	O	Alliance Account	2,026,558	98.5
LifeTime 2045 Fund	O	Alliance Account	4,079,278	99.0
LifeTime 2050 Fund	O	Alliance Account	555,212	96.3
BonaVista Global Balanced Fund	Advisor	Individual Investor UU*	911	79.9
BonaVista Global Balanced Fund	Advisor	Individual Investor VV*	128	11.2
BonaVista Global Balanced Fund	C	Individual Investor WW*	9,092	51.9
BonaVista Global Balanced Fund	C	Individual Investor XX*	2,798	16.0
BonaVista Global Balanced Fund	C	Individual Investor YY*	1,777	10.1
BonaVista Global Balanced Fund	D	Individual Investor ZZ*	28,384	11.7
BonaVista Global Balanced Fund	F	Individual Investor AAA*	1,146	82.8
BonaVista Global Balanced Fund	O	Individual Investor BBB*	13,685	61.8
BonaVista Global Balanced Fund	O	Individual Investor CCC*	4,193	18.9
BonaVista Global Balanced Fund	O	Individual Investor DDD*	4,193	18.9
BonaVista Canadian Equity Value Fund	Advisor	Individual Investor EEE*	2,758	96.6
BonaVista Canadian Equity Value Fund	C	Individual Investor FFF*	3,140	23.3
BonaVista Canadian Equity Value Fund	C	Individual Investor GGG*	2,619	19.5
BonaVista Canadian Equity Value Fund	C	Individual Investor HHH*	2,567	19.1
BonaVista Canadian Equity Value Fund	C	Individual Investor III*	2,061	15.3

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
BonaVista Canadian Equity Value Fund	C	Individual Investor JJJ*	1,585	11.8
BonaVista Canadian Equity Value Fund	D	Individual Investor KKK*	57,317	12.5
BonaVista Canadian Equity Value Fund	F	Individual Investor LLL*	6,238	89.0
BonaVista Canadian Equity Value Fund	O	Treaty 8 Heritage Trust – Long Term	206,715	28.1
BonaVista Canadian Equity Value Fund	O	Treaty 8 Heritage Trust (Doig River First Nation)	112,579	15.3

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

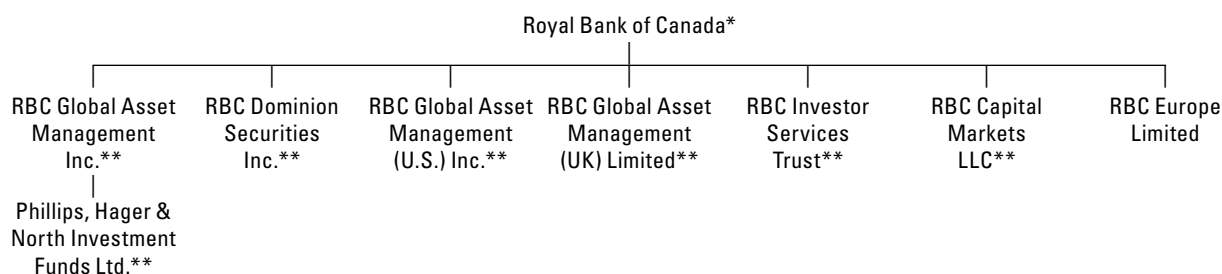
(b) RBC GAM

On May 31, 2016, Royal Bank indirectly beneficially owned 100% of the outstanding common voting shares of RBC GAM and 100% of the outstanding common shares of Phillips, Hager & North Investment Funds Ltd. As at May 31, 2016, the percentage of securities of each class or series of voting or equity securities of Royal Bank beneficially owned, directly or indirectly, in aggregate, by all the directors and senior officers of RBC GAM is no more than [0.09%], and by all members of the IRC, is no more than 0.01%.

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

Affiliated entities

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



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

** Indirect wholly-owned subsidiary.

Phillips, Hager & North Investment Funds Ltd. acts as the principal distributor of Series D units and, in certain circumstances, Series O units of the Funds, other than the Long Inflation-linked Bond Fund, the Canadian Equity Underlying Fund, the Canadian Equity Underlying Fund II, the Balanced Pension Trust, the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Overseas Equity Pension Trust and the Small Float Fund, for which RBC GAM acts as the principal distributor. RBC GAM UK is our sub-advisor for the Overseas Equity Fund, the Global Equity

Fund, the Overseas Equity Pension Trust and the Community Values Global Equity Fund. RBC GAM U.S. is our sub-advisor to the U.S. Multi-Style All-Cap Equity Fund, the U.S. Equity Fund and the U.S. Growth Fund. Any fees received from the Funds by these entities will be disclosed in the audited financial statements of the Funds. RBC DS, RBC Europe and RBC CM provide brokerage services to the Funds. The fees paid to the above noted affiliated entities are disclosed in the audited financial statements of the Funds.

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

NAME	POSITION WITH RBC GAM	POSITION WITH AFFILIATE
Wayne Bossert	Director	Executive Vice President, Royal Bank; Director, RBC DS
Daniel E. Chornous	Director and Chief Investment Officer	Director, RBC GAM UK
Douglas Coulter	Director and President, Retail	Senior Vice President, Royal Bank; Director, Phillips, Hager & North Investment Funds Ltd.
Steve Gabor	Vice President	Chief Financial Officer and Vice President, Phillips, Hager & North Investment Funds Ltd.
Douglas A. Guzman	Director and Chairman	Group Head, Wealth Management & Insurance, Royal Bank; Managing Director, RBC DS
Frank Lippa	Chief Financial Officer and Chief Operating Officer	Director, RBC GAM UK
Dave Y. Mun	Director	Senior Vice President, Performance Management & Investor Relations, Royal Bank
Mark Neill	Vice President	President, Phillips, Hager & North Investment Funds Ltd.
Lawrence A.W. Neilsen	Chief Compliance Officer	Chief Compliance Officer, Phillips, Hager & North Investment Funds Ltd.
Damon G. Williams	Director, Chief Executive Officer and Ultimate Designated Person	Senior Vice President, Royal Bank; Director, RBC GAM U.S.; Director, Phillips, Hager & North Investment Funds Ltd.
Gina Zapras	Corporate Secretary	Assistant Corporate Secretary, RBC DS; Corporate Secretary, Phillips, Hager & North Investment Funds Ltd.

As disclosed in the table above, certain directors or officers of RBC GAM may also be directors or officers of RBC DS, RBC GAM U.S., RBC IS, Phillips, Hager & North Investment Funds Ltd., RBC GAM UK or a senior officer of Royal Bank. RBC GAM has put into place appropriate policies and procedures to minimize the potential for conflicts between its interests and any affiliated entities. In particular, RBC GAM has policies and procedures which deal with trading in securities of

Royal Bank and offerings underwritten by RBC DS, RBC Europe and RBC CM, and to ensure that any brokerage business allocated to affiliates will be on the basis of best execution and will be on competitive terms and conditions.

Other matters

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

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

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

Fund governance

Policies, procedures, practices and guidelines

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

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

Compliance with investment practices and investment restrictions mandated by securities legislation is monitored by RBC GAM on a regular basis. The investment practices and restrictions for the Funds and guidelines for derivative use, repurchase transactions and reverse repurchase transactions are outlined beginning on page 9.

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

Independent Review Committee

The IRC (formerly known as the Board of Governors) acts as the independent review committee that the Funds and other funds managed by RBC GAM are required to have pursuant to NI 81-107. The IRC continues to provide independent oversight as required under the terms of certain exemptive relief for certain transactions by certain non-prospectus funds managed by RBC GAM.

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

- › RBC GAM’s policies and procedures relating to conflict of interest matters in respect of the Funds;
- › any standing instructions it has provided to RBC GAM pertaining to conflict of interest matters in respect of a Fund;
- › RBC GAM’s and the Funds’ compliance with any conditions imposed by the IRC in a recommendation or approval; and
- › any subcommittee to which the IRC has delegated any of its functions.

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

The IRC will also prepare an annual report that describes its activities as the independent review committee of the Funds. For a free copy of this report, call us, for the Pension Trusts, at 1-855-408-6111 and, for all other Funds, at 1-800-661-6141, or ask your dealer. You can also get a copy of this report on our website at www.rbcgam.com or by sending an email, for the Pension Trusts, to institutions@phn.com and, for all other Funds, to info@phn.com.

This report and other information about the IRC are also available at www.sedar.com.

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

NAME	MUNICIPALITY OF RESIDENCE	CURRENT PRINCIPAL OCCUPATION
Paul K. Bates	Millgrove, Ontario	Academic and former Investment Industry Executive
Elaine Cousineau ¹	Montréal, Quebec	President, Phénix Capital Inc.
Charles F. Macfarlane	Toronto, Ontario	Board Director and former Investment Industry Executive and Regulator

NAME	MUNICIPALITY OF RESIDENCE	CURRENT PRINCIPAL OCCUPATION
Lloyd R. McGinnis ²	Winnipeg, Manitoba	Director, Airport Site Redevelopment, Winnipeg Airports Authority
Linda S. Petch	Victoria, British Columbia	Principal, Linda S. Petch Governance Services
Mary C. Ritchie	Edmonton, Alberta	President and Chief Executive Officer, Richford Holdings Ltd.

¹ Vice-Chair of the IRC.

² Chair of the IRC.

Proxy voting guidelines

As portfolio manager for each of the Funds, we have responsibility for the investment management of the Funds, including the exercise of voting rights attaching to securities held by the Funds. In the case of sub-advised Funds, although we have delegated the investment management responsibility to the sub-advisor of the Fund, we have retained the obligation to exercise a Fund's voting rights.

Each Fund has proxy voting policies and procedures that apply to securities held by the Funds to which voting rights are attached. We have developed Proxy Voting Guidelines for securities held by the Fund to which voting rights are attached with the following principles in mind:

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

In the case of sub-advised Funds, although our sub-advisors may have their own proxy voting policies and procedures, they have adopted the Proxy Voting Guidelines.

The Proxy Voting Guidelines establish guidelines relating to the voting of securities of an issuer for the following categories of matters: board of directors, management and director compensation, takeover bid protection, shareholders' rights and shareholder proposals. While we will generally vote the Funds' proxies in accordance with the Proxy Voting Guidelines, we consider each matter on a case-by-case basis and may vote in a manner different from that contemplated by the Proxy Voting Guidelines where we believe it is appropriate in the circumstances. Any matters not covered by the Proxy Voting Guidelines, including business issues specific to the issuer or issues raised by shareholders of the issuer, will be assessed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value. We also have a Proxy Voting Policy which includes procedures to ensure that voting rights are exercised in accordance with the best interests of the Funds. We utilize the research services of Glass Lewis & Co., LLC and Institutional Shareholder Services, Inc., proxy voting advisory firms, as well as the voting services of Institutional Shareholder Services, Inc.

In the event that we face a potential material conflict of interest with respect to proxies, RBC GAM's Corporate Governance Committee will meet to resolve the conflict. In some cases, proxy voting matters may be referred to the IRC for its recommendation. We employ a Governance Analyst who is responsible for ensuring that we vote all proxies in accordance with our Proxy Voting Guidelines and for identifying any situations that must be addressed by our Corporate Governance Committee. As we have discretionary authority over our Funds' portfolios, we file applicable class action settlement claims on behalf of the Funds.

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

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

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

Policies and procedures with respect to Community Values Funds

For the Community Values Funds, we have also developed policies and procedures, controls and guidelines to help ensure that each Fund's investments are made primarily in securities of companies that conduct themselves in a socially responsible manner and are consistent with the investment principles described in the Simplified Prospectus or as otherwise established by us from time to time. As part of these policies and procedures, we screen each company before we invest in it to ensure that it complies with the investment principles we have established. Each investment made by a Fund is also reviewed on a regular basis to ensure that it remains in accordance with those investment principles. If a Fund holds an investment in a company that no longer meets these principles, the Fund will sell that investment. The proxies associated with the Community Values Funds will be voted in accordance with the Community Values Funds' Proxy Voting Guidelines, which are consistent with the mandates of the Funds. These guidelines are available at our website at www.phn.com or by contacting us at the phone number on the back cover of this Annual Information Form.

Policies and practices with respect to derivatives

Derivatives may be used in managing certain Funds. A detailed description of the risks related to the use of derivatives for certain Funds can be found in the Simplified Prospectus under the heading *Specific risks in respect of the Funds*.

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

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

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

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

RBC GAM is responsible for managing the risks associated with the use of derivatives. RBC GAM has written guidelines that set out the objectives and goals for derivatives trading, which are established and reviewed periodically by the board of directors of RBC GAM as required. In addition, RBC GAM has written control policies and procedures in place that set out the risk management procedures applicable to derivatives trading. These policies and procedures set out specific procedures for the authorization,

documentation, reporting, monitoring and review of derivative strategies ensuring that these functions are performed by individuals independent of those who trade. Limits and controls on derivatives trading are part of RBC GAM's compliance regime. All derivatives transactions are reviewed by a specially trained team that ensures that the derivatives positions of the Funds are within the existing control policies and procedures. As the use of derivatives by the Funds is limited, RBC GAM does not currently conduct simulations to test the portfolio under stress conditions. Derivatives strategies are regularly monitored by RBC GAM management and reviewed by the IRC on an annual basis.

Policies and practices with respect to securities lending, repurchase and reverse repurchase transactions

The Funds may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions in accordance with applicable securities legislation. In addition, we have agreed to provide at least six months' notice (or as otherwise required by applicable legislation) to unitholders prior to commencing these transactions unless disclosure had been provided in the Simplified Prospectus of a Fund that the Fund may participate in such transactions when the Fund first became a reporting issuer. For details about how the Funds may engage in these transactions, please see the heading *How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions* and the heading *Securities lending, repurchase and reverse repurchase risk* in the Simplified Prospectus for each of the Funds.

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

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

Income tax considerations for investors

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

This summary is based on the current provisions of the *Income Tax Act* (Canada) and the regulations under it, all specific proposals to amend the *Income Tax Act* (Canada) and its regulations that have been publicly announced by the Minister of Finance, and the published administrative practices of the Canada Revenue Agency ("CRA"). It is assumed that all amendments will be passed as proposed.

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

Each Fund (other than the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Overseas Equity Pension Trust, the Canadian Equity Underlying Fund, the Canadian Equity Underlying Fund II, the Long Inflation-linked Bond Fund and the LifeTime Funds not including the LifeTime 2020 Fund, the LifeTime 2025 Fund and the LifeTime 2045 Fund) is currently, and is expected to continue to be, a mutual fund trust under the *Income Tax Act* (Canada). The excluded Funds are not currently mutual fund trusts because they do not meet conditions relating to the number of unitholders. Each of the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Canadian Equity Underlying Fund, the Canadian Equity Underlying Fund II, the Long Inflation-linked Bond Fund and the LifeTime Funds is a registered investment under the *Income Tax Act* (Canada).

Taxation of the Funds

Generally, a trust must pay tax on its net income and net realized capital gains for a year, except to the extent such amounts are distributed to unitholders. A Fund that is a mutual fund trust is entitled to a refund of the tax payable in respect of net realized capital gains that are not distributed, up to a limit set out in the *Income Tax Act* (Canada). Other Funds are not entitled to such a refund. The Trust Agreement requires each Fund to distribute all of its net income each year and sufficient of its net realized capital gains, so that the Fund will not pay any tax under Part I of the *Income Tax Act* (Canada) (other than alternative minimum tax). A Fund that is not a mutual fund trust under the *Income Tax Act* (Canada) may be subject to alternative minimum tax under the *Income Tax Act* (Canada) and will not be eligible for capital gains refunds under the *Income Tax Act* (Canada).

This summary assumes that not more than 50% of the units of any Fund that is not a mutual fund trust under the *Income Tax Act* (Canada) will at any time be held by one or more "financial institutions", as defined for purposes of sections 142.3 to 142.7 of the *Income Tax Act* (Canada). If more than 50% (calculated on a fair market value basis) of the units of a Fund are held by one or more unitholders that are considered to be "financial institutions" for the purposes of certain special mark-to-market rules in the *Income Tax Act* (Canada), then that Fund itself will be treated as a financial institution under those special rules. Under those rules, a Fund will be required to recognize at least annually on income account any gains and losses accruing on certain types of debt obligations and equity securities that it holds and also will be subject to special rules with respect to income inclusion on these securities. Any income arising from such treatment will be included in amounts to be distributed to unitholders. If more than 50% of the units of a Fund cease to be held by financial institutions, the tax year of the Fund will be deemed to end immediately before that time and any gains or losses accrued before that time will be deemed realized by the Fund and will be distributed to unitholders. A new taxation year for the Fund will then begin and for that and subsequent taxation years, for so long as not more than 50% of the units of the Fund are held by financial institutions, the Fund will not be subject to these special mark-to-market rules.

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

In computing the net income and net realized capital gains of each Fund, gains from investing in derivatives, other than derivatives used in some circumstances for hedging purposes, will generally be treated as income rather than capital gains. Loss suspension or restriction rules may prevent a Fund from using losses in certain circumstances.

Each of the Long Inflation-linked Bond Fund and the Inflation-Linked Bond Fund will include in computing its income any interest accruing to it on bonds held in its portfolio. In addition, any amounts deemed to be interest receivable or payable (such as amounts determined in respect of inflation or deflation related adjustments to a bond's principal amount), will also be included or deducted, as the case may be, in computing the income of those Funds.

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

A Fund that is a registered investment and is not a mutual fund trust (currently expected to be the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Canadian Equity Underlying Fund, the Canadian Equity Underlying Fund II, the Long Inflation-linked Bond Fund and the Phillips, Hager & North LifeTime Funds not including the LifeTime 2020 Fund, the LifeTime 2025 Fund and the LifeTime 2045 Fund) will be liable for a penalty tax under subsection 204.6(1) of the *Income Tax Act* (Canada) if, at the end of any month, the Fund holds any investments that are not qualified investments for registered retirement savings plans, registered retirement income funds or deferred profit sharing plans. The tax for a month is equal to 1% of the cost of the non-qualified investments held at the end of the month.

If at any time in a year a Fund that is not a mutual fund trust under the *Income Tax Act* (Canada) throughout that year has a unitholder that is a "designated beneficiary," the Fund will be subject to a special tax at the rate of 40% under Part XII.2 of the *Income Tax Act* (Canada) on its "designated income" within the meaning of the *Income Tax Act* (Canada). A "designated beneficiary" includes a non-resident, and "designated income" includes taxable capital gains from dispositions of "taxable Canadian property" and income from business carried on in Canada (which could include gains on certain derivatives). Where a fund is subject to tax under Part XII.2, the Fund may make a designation which will result in unitholders that are designated beneficiaries receiving a tax credit with respect to their share of the Part XII.2 tax paid by the Fund.

Taxation of unitholders

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

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

Where an investor acquires units of a Fund (other than the Canadian Money Market Fund or the \$U.S. Money Market Fund), the purchase price for the units may reflect net income and net realized capital gains which have not been distributed. The

investor is subject to tax on his or her share of those amounts when distributed, even though the amounts were reflected in the purchase price paid for the units. Similarly, the investor's share of capital gains realized after the units were acquired will include the portion of the gains that accrued before the investor acquired the units.

Net realized capital gains distributed by the \$U.S. Money Market Fund may include capital gains realized by the Fund before the investor acquired units, and capital gains that accrued before the investor acquired units but were realized afterwards.

Each Fund intends to make designations under the *Income Tax Act* (Canada) so that taxable dividends received from taxable Canadian corporations, income from foreign sources and net taxable capital gains distributed to unitholders will retain their character in the hands of unitholders. Distributed amounts that retain their character as taxable dividends on shares of taxable Canadian corporations will be subject to the gross-up and tax credit rules in the *Income Tax Act* (Canada). To the extent that such distributed amounts are distributions of eligible dividends received by a Fund, the enhanced gross-up and tax credit will apply. Each taxable unitholder will generally be entitled to a tax credit for foreign taxes paid by a Fund in respect of his or her share of income from foreign sources, except to the extent the Fund has deducted the foreign taxes in computing its income.

On a redemption (including a redemption to switch between the Funds) or other disposition of units of a Fund, the unitholder will realize a capital gain to the extent that the proceeds of disposition (net of the short-term trading fee, if applicable) exceed the adjusted cost base of the units plus any cost of disposition, or a capital loss to the extent that the total of the adjusted cost base of the units plus any costs of disposition exceeds the proceeds of disposition (net of the short-term trading fee, if applicable). One half of a capital gain generally must be included in income as a taxable capital gain. One half of a capital loss is an allowable capital loss, which may be applied against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains may be carried back three years or forward indefinitely and applied against taxable capital gains realized in those earlier or later years, subject to the rules in the *Income Tax Act* (Canada). A re-designation of units of a series to units of another series of the same Fund will not result in a disposition for tax purposes.

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

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

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

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

Investment by registered plans

Units of each Fund that is a mutual fund trust or a registered investment (expected to be all Funds except the Overseas Equity Pension Trust) will be qualified investments under the *Income Tax Act* (Canada) for registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs"), registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs") and tax-free savings accounts ("TFSAs"). Units of a Fund will continue to be a qualified investment as long as the Fund is a mutual fund trust or a registered investment under the *Income Tax Act* (Canada). During the last year, there has been no change in the status of units of any Fund as a qualified investment. Provided that the annuitant of an RRSP or RRIF, or the holder of a TFSA, deals at arm's length with a Fund and does not have a "significant interest" (within the meaning of the *Income Tax Act* (Canada)) in the Fund, units of the Fund will not be a prohibited investment under the *Income Tax Act* (Canada) for the RRSP, RRIF or TFSA. Units will also not be a prohibited investment for an RRSP, RRIF or TFSA if they are "excluded property" under the *Income Tax Act* (Canada) for that RRSP, RRIF or TFSA. Annuitants of RRSPs and RRIFs and holders of TFSAs should consult with their own tax advisors as to whether units of the Funds would be prohibited investments under the *Income Tax Act* (Canada) in their particular circumstances.

Remuneration of directors, officers and trustees

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

For the year ended December 31, 2015, the members of the IRC received from the Funds and certain other prospectus-qualified funds managed by RBC GAM the following amounts in annual fees and meeting fees and reimbursements for expenses in connection with performing their duties for the Funds and certain other prospectus-qualified funds managed by RBC GAM: Paul K. Bates – \$67,436; Elaine Cousineau – \$72,634; Selwyn B. Kossuth (retired on November 30, 2015) – \$74,650; Charles F. Macfarlane – \$78,233; Lloyd R. McGinnis – \$79,876; Linda S. Petch – \$96,596; Mary C. Ritchie – \$96,922; Joseph P. Shannon (retired on November 30, 2015) – \$84,157; and Michael G. Thorley (retired on November 30, 2015) – \$77,000. These fees and expenses were allocated among the funds managed by RBC GAM in a manner that was fair and reasonable. For a description of the role of the IRC, please see *Fund governance – Independent Review Committee* on page 49.

Material contracts

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

1. Under the terms of the Trust Agreement, RBC GAM acts as manager, portfolio manager and registrar of each Fund, and RBC IS acts as trustee. The Trust Agreement outlines the powers and duties of the parties, as well as the fees and expenses payable by each Fund, including management and trustee fees, administration fees and operating expenses. The management and administration fees payable by the Funds are described in the Simplified Prospectus.
2. Under an amended and restated custodian agreement dated as of May 31, 2016 between RBC GAM and RBC IS, RBC IS acts as the principal custodian for all Funds. The agreement may be terminated by either party giving notice 90 days in advance.
3. Under an amended and restated principal distributor agreement dated as of April 1, 2009, Phillips, Hager & North Investment Funds Ltd. acts as the principal distributor of the Series D units and, in certain circumstances, Series O units of Funds, other than the Long Inflation-linked Bond Fund, the Canadian Equity Underlying Fund, the Canadian Equity Underlying Fund II, the Balanced Pension Trust, the Conservative Equity Income Fund, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Overseas Equity Pension Trust and the Small Float Fund, for which RBC GAM acts as the principal distributor. This agreement may be terminated by either party giving 60 days' notice in advance.

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

Legal and administrative proceedings

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

Certificate of the Funds, Manager, Promoter and Principal Distributor

June 30, 2016

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

Phillips, Hager & North Canadian Money Market Fund	Phillips, Hager & North Vintage Fund
Phillips, Hager & North \$U.S. Money Market Fund	Phillips, Hager & North U.S. Dividend Income Fund
Phillips, Hager & North Short Term Bond & Mortgage Fund	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund
Phillips, Hager & North Bond Fund	Phillips, Hager & North U.S. Equity Fund
Phillips, Hager & North Community Values Bond Fund	Phillips, Hager & North Currency-Hedged U.S. Equity Fund
Phillips, Hager & North Total Return Bond Fund	Phillips, Hager & North U.S. Growth Fund
Phillips, Hager & North Inflation-Linked Bond Fund	Phillips, Hager & North Overseas Equity Fund
Phillips, Hager & North High Yield Bond Fund	Phillips, Hager & North Overseas Equity Pension Trust
Phillips, Hager & North Long Inflation-linked Bond Fund	Phillips, Hager & North Currency-Hedged Overseas Equity Fund
Phillips, Hager & North Monthly Income Fund	Phillips, Hager & North Global Equity Fund
Phillips, Hager & North Balanced Fund	Phillips, Hager & North Community Values Global Equity Fund
Phillips, Hager & North Balanced Pension Trust	Phillips, Hager & North LifeTime 2015 Fund
Phillips, Hager & North Community Values Balanced Fund	Phillips, Hager & North LifeTime 2020 Fund
Phillips, Hager & North Dividend Income Fund	Phillips, Hager & North LifeTime 2025 Fund
Phillips, Hager & North Conservative Equity Income Fund	Phillips, Hager & North LifeTime 2030 Fund
Phillips, Hager & North Canadian Equity Fund	Phillips, Hager & North LifeTime 2035 Fund
Phillips, Hager & North Canadian Equity Pension Trust	Phillips, Hager & North LifeTime 2040 Fund
Phillips, Hager & North Small Float Fund	Phillips, Hager & North LifeTime 2045 Fund
Phillips, Hager & North Canadian Equity Plus Pension Trust	Phillips, Hager & North LifeTime 2050 Fund
Phillips, Hager & North Community Values Canadian Equity Fund	BonaVista Global Balanced Fund
Phillips, Hager & North Canadian Equity Value Fund	BonaVista Canadian Equity Value Fund
Phillips, Hager & North Canadian Equity Underlying Fund	(collectively, the "Funds")
Phillips, Hager & North Canadian Equity Underlying Fund II	
Phillips, Hager & North Canadian Growth Fund	
Phillips, Hager & North Canadian Income Fund	

RBC Global Asset Management Inc., on behalf of the Funds, and in its capacity as manager and promoter of the Funds and in its capacity as principal distributor of the Phillips, Hager & North Long Inflation-linked Bond Fund, the Phillips, Hager & North Canadian Equity Underlying Fund, the Phillips, Hager & North Canadian Equity Underlying Fund II, the Phillips, Hager & North Balanced Pension Trust, the Phillips, Hager & North Conservative Equity Income Fund, the Phillips, Hager & North Canadian Equity Pension Trust, the Phillips, Hager & North Small Float Fund, the Phillips, Hager & North Canadian Equity Plus Pension Trust and the Phillips, Hager & North Overseas Equity Pension Trust.

(signed) Damon G. Williams

Damon G. Williams
Chief Executive Officer

(signed) Frank Lippa

Frank Lippa
Chief Financial Officer

On behalf of the Board of Directors of RBC Global Asset Management Inc., on behalf of the Funds, and in its capacity as manager and promoter of the Funds and in its capacity as principal distributor of the Phillips, Hager & North Long Inflation-linked Bond Fund, the Phillips, Hager & North Canadian Equity Underlying Fund, the Phillips, Hager & North Canadian Equity Underlying Fund II, the Phillips, Hager & North Balanced Pension Trust, the Phillips, Hager & North Conservative Equity Income Fund, the Phillips, Hager & North Canadian Equity Pension Trust, the Phillips, Hager & North Small Float Fund, the Phillips, Hager & North Canadian Equity Plus Pension Trust and the Phillips, Hager & North Overseas Equity Pension Trust.

(signed) Douglas Coulter

Douglas Coulter
Director

(signed) Daniel E. Chornous

Daniel E. Chornous
Director

Certificate of Principal Distributor

June 30, 2016

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

Phillips, Hager & North Canadian Money Market Fund	Phillips, Hager & North U.S. Equity Fund
Phillips, Hager & North \$U.S. Money Market Fund	Phillips, Hager & North Currency-Hedged U.S. Equity Fund
Phillips, Hager & North Short Term Bond & Mortgage Fund	Phillips, Hager & North U.S. Growth Fund
Phillips, Hager & North Bond Fund	Phillips, Hager & North Overseas Equity Fund
Phillips, Hager & North Community Values Bond Fund	Phillips, Hager & North Currency-Hedged Overseas Equity Fund
Phillips, Hager & North Total Return Bond Fund	Phillips, Hager & North Global Equity Fund
Phillips, Hager & North Inflation-Linked Bond Fund	Phillips, Hager & North Community Values Global Equity Fund
Phillips, Hager & North High Yield Bond Fund	Phillips, Hager & North LifeTime 2015 Fund
Phillips, Hager & North Monthly Income Fund	Phillips, Hager & North LifeTime 2020 Fund
Phillips, Hager & North Balanced Fund	Phillips, Hager & North LifeTime 2025 Fund
Phillips, Hager & North Community Values Balanced Fund	Phillips, Hager & North LifeTime 2030 Fund
Phillips, Hager & North Dividend Income Fund	Phillips, Hager & North LifeTime 2035 Fund
Phillips, Hager & North Canadian Equity Fund	Phillips, Hager & North LifeTime 2040 Fund
Phillips, Hager & North Community Values Canadian Equity Fund	Phillips, Hager & North LifeTime 2045 Fund
Phillips, Hager & North Canadian Equity Value Fund	Phillips, Hager & North LifeTime 2050 Fund
Phillips, Hager & North Canadian Growth Fund	BonaVista Global Balanced Fund
Phillips, Hager & North Canadian Income Fund	BonaVista Canadian Equity Value Fund
Phillips, Hager & North Vintage Fund	(collectively, the "Funds")
Phillips, Hager & North U.S. Dividend Income Fund	
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	

Phillips, Hager & North Investment Funds Ltd., in its capacity as principal distributor of the Funds.

(signed) Mark Neill

Mark Neill
President

Phillips, Hager & North® and BonaVista investment funds

Additional information about each Fund is available in the Funds' management reports of fund performance, Fund Facts and financial statements. You can get a copy of these documents at no cost by calling us toll-free for the Pension Trusts at 1-855-408-6111, and for all other Funds at 1-800-661-6141 or by contacting us at any of the addresses below or by contacting another dealer who sells our Funds. Copies of these documents are also available at www.rbcgam.com.

These documents and other information about the Funds, such as information circulars and material contracts, are also available at www.sedar.com.

RBC Global Asset Management Inc.

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Phillips, Hager & North Investment Management*

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Email: info@phn.com
Dealer Services: 1-800-662-0652

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