



Global Asset
Management

PHILLIPS, HAGER & NORTH FUNDS

2018 Annual Financial Statements

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

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

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA

Chief Executive Officer

RBC Global Asset Management Inc.

March 11, 2019



Heidi Johnston, CPA, CA

Chief Financial Officer

RBC GAM Funds

To the Unitholders and Trustee of

RBC FUNDS & RBC PRIVATE POOLS

RBC Canadian T-Bill Fund
 RBC Canadian Money Market Fund
 RBC Premium Money Market Fund
 RBC \$U.S. Money Market Fund
 RBC Premium \$U.S. Money Market Fund
 RBC Canadian Short-Term Income Fund
 RBC \$U.S. Short-Term Corporate Bond Fund
 RBC Monthly Income Bond Fund
 RBC Canadian Bond Index Fund
 RBC Canadian Government Bond Index Fund
 RBC Bond Fund
 RBC Vision Bond Fund
 RBC Global Bond Fund
 RBC Global Bond & Currency Fund
 RBC \$U.S. Investment Grade Corporate Bond Fund
 RBC Global Corporate Bond Fund
 RBC High Yield Bond Fund
 RBC \$U.S. High Yield Bond Fund
 RBC Global High Yield Bond Fund
 RBC Strategic Income Bond Fund
 RBC \$U.S. Strategic Income Bond Fund
 RBC Emerging Markets Foreign Exchange Fund
 RBC Emerging Markets Bond Fund
 RBC Emerging Markets Bond Fund (CAD Hedged)
 BlueBay Global Monthly Income Bond Fund
 BlueBay Global Sovereign Bond Fund (Canada)
 BlueBay Global Investment Grade Corporate Bond Fund (Canada)
 BlueBay European High Yield Bond Fund (Canada)
 BlueBay Emerging Markets Bond Fund (Canada)
 BlueBay Emerging Markets Local Currency Bond Fund (Canada)
 BlueBay Emerging Markets Corporate Bond Fund
 BlueBay Global Convertible Bond Fund (Canada)
 BlueBay \$U.S. Global Convertible Bond Fund (Canada)
 RBC Conservative Bond Pool
 RBC Core Bond Pool
 RBC Core Plus Bond Pool
 RBC Managed Payout Solution
 RBC Managed Payout Solution – Enhanced
 RBC Managed Payout Solution – Enhanced Plus
 RBC Monthly Income Fund
 RBC U.S. Monthly Income Fund
 RBC Balanced Fund
 RBC Global Balanced Fund
 RBC Vision Balanced Fund
 RBC Conservative Growth & Income Fund
 RBC Balanced Growth & Income Fund
 RBC Global Growth & Income Fund
 RBC Retirement Income Solution
 RBC Retirement 2020 Portfolio
 RBC Retirement 2025 Portfolio
 RBC Retirement 2030 Portfolio
 RBC Retirement 2035 Portfolio
 RBC Retirement 2040 Portfolio
 RBC Retirement 2045 Portfolio
 RBC Retirement 2050 Portfolio
 RBC Select Very Conservative Portfolio
 RBC Select Conservative Portfolio
 RBC Select Balanced Portfolio
 RBC Select Growth Portfolio
 RBC Select Aggressive Growth Portfolio
 RBC Select Choices Conservative Portfolio
 RBC Select Choices Balanced Portfolio
 RBC Select Choices Growth Portfolio
 RBC Select Choices Aggressive Growth Portfolio
 RBC Target 2020 Education Fund

RBC Target 2025 Education Fund
 RBC Target 2030 Education Fund
 RBC Target 2035 Education Fund
 RBC Canadian Dividend Fund
 RBC Canadian Equity Fund
 RBC QUBE Canadian Equity Fund
 RBC QUBE Low Volatility Canadian Equity Fund
 RBC Trend Canadian Equity Fund
 RBC Vision Canadian Equity Fund
 RBC Canadian Index Fund
 RBC O'Shaughnessy Canadian Equity Fund
 RBC O'Shaughnessy All-Canadian Equity Fund
 RBC Canadian Equity Income Fund
 RBC Canadian Small & Mid-Cap Resources Fund
 RBC North American Value Fund
 RBC North American Growth Fund
 RBC U.S. Dividend Fund
 RBC U.S. Dividend Currency Neutral Fund
 RBC U.S. Equity Fund
 RBC U.S. Equity Currency Neutral Fund
 RBC QUBE U.S. Equity Fund
 RBC QUBE Low Volatility U.S. Equity Fund
 RBC QUBE Low Volatility U.S. Equity Currency Neutral Fund
 RBC U.S. Equity Value Fund
 RBC U.S. Index Fund
 RBC U.S. Index Currency Neutral Fund
 RBC O'Shaughnessy U.S. Value Fund (Unhedged)
 RBC O'Shaughnessy U.S. Value Fund
 RBC U.S. Mid-Cap Growth Equity Fund
 RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund
 RBC U.S. Mid-Cap Value Equity Fund
 RBC U.S. Small-Cap Core Equity Fund
 RBC U.S. Small-Cap Value Equity Fund
 RBC O'Shaughnessy U.S. Growth Fund
 RBC O'Shaughnessy U.S. Growth Fund II
 RBC Life Science and Technology Fund
 RBC International Dividend Growth Fund
 RBC International Equity Fund
 RBC International Equity Currency Neutral Fund
 RBC International Index Currency Neutral Fund
 RBC O'Shaughnessy International Equity Fund
 RBC European Dividend Fund
 RBC European Equity Fund
 RBC European Mid-Cap Equity Fund
 RBC Asian Equity Fund
 RBC Asia Pacific ex-Japan Equity Fund
 RBC Japanese Equity Fund
 RBC Emerging Markets Multi-Strategy Equity Fund
 RBC Emerging Markets Dividend Fund
 RBC Emerging Markets Equity Fund
 RBC Emerging Markets Small-Cap Equity Fund
 RBC Global Dividend Growth Fund
 RBC Global Dividend Growth Currency Neutral Fund
 RBC Global Equity Fund
 RBC Global Equity Focus Fund
 RBC Global Equity Focus Currency Neutral Fund
 RBC QUBE Global Equity Fund
 RBC QUBE Low Volatility Global Equity Fund
 RBC QUBE Low Volatility Global Equity Currency Neutral Fund
 RBC Vision Global Equity Fund
 RBC Vision Fossil Fuel Free Global Equity Fund
 RBC O'Shaughnessy Global Equity Fund
 RBC QUBE All Country World Equity Fund
 RBC QUBE Low Volatility All Country World Equity Fund
 RBC Global Energy Fund
 RBC Global Precious Metals Fund
 RBC Global Resources Fund
 RBC Global Technology Fund

RBC Private Short-Term Income Pool
 RBC Private Canadian Corporate Bond Pool
 RBC Private Income Pool
 RBC Private Canadian Dividend Pool
 RBC Private Canadian Growth and Income Equity Pool (renamed RBC Private Fundamental Canadian Equity Pool)
 RBC Private Canadian Equity Pool
 RBC Private Canadian Growth Equity Pool
 RBC Private Canadian Mid-Cap Equity Pool
 RBC Private U.S. Large-Cap Value Equity Pool
 RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool
 RBC Private U.S. Growth Equity Pool
 RBC Private U.S. Large-Cap Core Equity Pool
 RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool
 RBC Private U.S. Small-Cap Equity Pool
 RBC Private EAFE Equity Pool
 RBC Private Overseas Equity Pool
 RBC Private World Equity Pool

PHILLIPS, HAGER & NORTH INVESTMENT FUNDS

Phillips, Hager & North Canadian Money Market Fund
 Phillips, Hager & North \$U.S. Money Market Fund
 Phillips, Hager & North Short Term Bond & Mortgage Fund
 Phillips, Hager & North Bond Fund
 Phillips, Hager & North Total Return Bond Fund
 Phillips, Hager & North Inflation-Linked Bond Fund
 Phillips, Hager & North High Yield Bond Fund
 Phillips, Hager & North Long Inflation-linked Bond Fund
 Phillips, Hager & North Monthly Income Fund
 Phillips, Hager & North Balanced Fund
 Phillips, Hager & North Dividend Income Fund
 Phillips, Hager & North Canadian Equity Fund
 Phillips, Hager & North Canadian Equity Value Fund
 Phillips, Hager & North Canadian Equity Underlying Fund
 Phillips, Hager & North Canadian Equity Underlying Fund II
 Phillips, Hager & North Canadian Growth Fund
 Phillips, Hager & North Canadian Income Fund
 Phillips, Hager & North Vintage Fund
 Phillips, Hager & North U.S. Dividend Income Fund
 Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund
 Phillips, Hager & North U.S. Equity Fund
 Phillips, Hager & North Currency-Hedged U.S. Equity Fund
 Phillips, Hager & North U.S. Growth Fund
 Phillips, Hager & North Overseas Equity Fund
 Phillips, Hager & North Currency-Hedged Overseas Equity Fund
 Phillips, Hager & North Global Equity Fund
 Phillips, Hager & North LifeTime 2015 Fund
 Phillips, Hager & North LifeTime 2020 Fund
 Phillips, Hager & North LifeTime 2025 Fund
 Phillips, Hager & North LifeTime 2030 Fund
 Phillips, Hager & North LifeTime 2035 Fund
 Phillips, Hager & North LifeTime 2040 Fund
 Phillips, Hager & North LifeTime 2045 Fund
 Phillips, Hager & North LifeTime 2050 Fund
 Phillips, Hager & North LifeTime 2055 Fund
 Phillips, Hager & North Balanced Pension Trust
 Phillips, Hager & North Conservative Equity Income Fund
 Phillips, Hager & North Canadian Equity Pension Trust
 Phillips, Hager & North Small Float Fund
 Phillips, Hager & North Canadian Equity Plus Pension Trust

(collectively, the “Funds”, individually the “Fund”)

Our opinion

In our opinion, the accompanying December 31, 2018 annual financial statements of each of the Funds present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The financial statements of each of the Funds comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units ("NAV") for the periods indicated in note 2; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information of each of the Funds. The other information comprises the 2018 Annual Management Report of Fund Performance of each of the Funds.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each of the Funds, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each of the Funds or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any of the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each of the Funds.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each of the Funds.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each of the Funds, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each of the Funds.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each of the Funds to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each of the Funds or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any of the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each of the Funds, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 11, 2019



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN MONEY MARKET FUND

December 31, 2018

Par Value (000s)	Security	Cost/ Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
8 950	Bank of Montreal	\$ 8 932	
114 850	Bank of Nova Scotia	114 424	
137 450	Canadian Imperial Bank of Commerce	136 527	
32 310	HSBC Bank Canada	32 278	
26 200	National Bank of Canada	26 103	
10 000	Toronto-Dominion Bank	9 981	
		<u>328 245</u>	<u>16.1</u>
COMMERCIAL PAPER			
33 100	Alectra Inc.	33 063	
54 130	AltaLink LP	53 919	
95 010	Banner Trust	94 460	
75 450	Bay Street Funding Trust - Class A	74 821	
71 200	Caisse Centrale Desjardins	70 985	
90 200	Canadian Master Trust - Series A	89 270	
59 025	Caterpillar Financial Services Ltd.	58 879	
69 625	Clarity Trust	68 978	
38 700	Enbridge Gas Distribution Inc.	38 633	
57 850	Enbridge Pipelines Inc.	57 736	
6 900	FortisBC Energy Inc.	6 877	
75 200	Fusion Trust	74 623	
55 200	Greater Toronto Airports Authority	54 981	
60 550	Honda Canada Finance Inc.	59 956	
44 825	Husky Energy Inc.	44 640	
57 250	Inter Pipeline Corridor Inc.	57 037	
94 150	King Street Funding Trust	93 475	
32 175	Lower Mattagami Energy LP	32 111	
80 675	Merit Trust - Senior Notes	80 199	
59 775	Nova Scotia Power Inc.	59 653	
28 199	OMERS Realty Corp.	28 110	
46 840	Prime Trust - Senior Notes	46 529	
84 900	Ridge Trust	84 101	
71 625	SAFE Trust - Series 1996-1	70 953	
56 575	SOUND Trust	56 098	
72 600	STABLE Trust	72 083	
47 900	SURE Trust	47 494	
48 850	TMX Group Ltd.	48 653	
32 031	Zeus Receivables Trust - Senior Notes	31 811	
		<u>1 690 128</u>	<u>82.9</u>
TOTAL INVESTMENTS		<u>2 018 373</u>	<u>99.0</u>
OTHER NET ASSETS ATTRIBUTABLE TO			
HOLDERS OF REDEEMABLE UNITS		<u>20 523</u>	<u>1.0</u>
NET ASSETS ATTRIBUTABLE TO			
HOLDERS OF REDEEMABLE UNITS		<u>\$2 038 896</u>	<u>100.0</u>

Investments, which are grouped by issuer, earn interest at rates ranging from 1.76% to 2.41% and mature between January 2, 2019 and July 10, 2019.

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 2 018 373	\$ 1 732 156
Cash	12	52
Subscriptions receivable	24 903	30 876
Dividends receivable, interest accrued and other assets	5 999	2 872
TOTAL ASSETS	2 049 287	1 765 956
LIABILITIES		
Redemptions payable	9 542	4 305
Distributions payable	702	135
Accounts payable and accrued expenses	147	189
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	10 391	4 629
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 038 896	\$ 1 761 327
Investments at cost	\$ 2 018 373	\$ 1 732 156
NAV		
SERIES A	\$ 5 725	\$ 4 843
ADVISOR SERIES	\$ 4 162	\$ 1 013
SERIES D	\$ 218 047	\$ 348 026
SERIES F	\$ 15 758	\$ 4 301
SERIES O	\$ 1 795 204	\$ 1 403 144
NAV PER UNIT		
SERIES A	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 32 495	\$ 16 292
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	32 495	16 292
TOTAL INCOME (LOSS)	32 495	16 292
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 419	1 419
Administration fees	457	381
Independent Review Committee costs	2	3
GST/HST	178	156
Expenses reimbursed by manager	(14)	(13)
TOTAL EXPENSES	2 042	1 946
INCREASE (DECREASE) IN NAV	\$ 30 453	\$ 14 346
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 59	\$ 28
ADVISOR SERIES	\$ 25	\$ 6
SERIES D	\$ 3 365	\$ 1 616
SERIES F	\$ 83	\$ 34
SERIES O	\$ 26 921	\$ 12 662
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.12	\$ 0.06
ADVISOR SERIES	\$ 0.12	\$ 0.06
SERIES D	\$ 0.12	\$ 0.06
SERIES F	\$ 0.13	\$ 0.07
SERIES O	\$ 0.17	\$ 0.11



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 30 453	\$ 14 346
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	—	—
Change in unrealized loss (gain) on investments	—	—
(Increase) decrease in accrued receivables	(3 127)	(735)
Increase (decrease) in accrued payables	(42)	44
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(10 725 913)	(8 838 773)
Proceeds from sale and maturity of investments	10 439 696	8 354 322
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(258 933)	(470 796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 091 386	1 971 583
Cash paid on redemption of redeemable units	(2 827 909)	(1 499 882)
Distributions paid to holders of redeemable units	(4 584)	(862)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 258 893	\$ 470 839
Net increase (decrease) in cash for the period	(40)	43
Cash (bank overdraft), beginning of period	52	9
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 12	\$ 52
Interest received (paid)	\$ 29 368	\$ 15 557
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 4 843	\$ 5 216	\$ 1 013	\$ 1 433	\$ 348 026	\$ 248 646	\$ 4 301	\$ 2 706
INCREASE (DECREASE) IN NAV	59	28	25	6	3 365	1 616	83	34
Proceeds from redeemable units issued	3 105	6 582	4 515	415	199 255	276 766	27 451	23 622
Reinvestments of distributions to holders of redeemable units	59	27	25	6	3 350	1 573	83	34
Redemption of redeemable units	(2 281)	(6 983)	(1 391)	(841)	(332 557)	(178 987)	(16 077)	(22 061)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	883	(374)	3 149	(420)	(129 952)	99 352	11 457	1 595
Distributions from net income	(60)	(27)	(25)	(6)	(3 392)	(1 588)	(83)	(34)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(60)	(27)	(25)	(6)	(3 392)	(1 588)	(83)	(34)
NET INCREASE (DECREASE) IN NAV	882	(373)	3 149	(420)	(129 979)	99 380	11 457	1 595
NAV AT END OF PERIOD	\$ 5 725	\$ 4 843	\$ 4 162	\$ 1 013	\$ 218 047	\$ 348 026	\$ 15 758	\$ 4 301

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 403 144	\$ 1 002 984	\$ 1 761 327	\$ 1 260 985
INCREASE (DECREASE) IN NAV	26 921	12 662	30 453	14 346
Proceeds from redeemable units issued	2 858 252	1 684 830	3 092 578	1 992 215
Reinvestments of distributions to holders of redeemable units	21 922	11 624	25 439	13 264
Redemption of redeemable units	(2 488 005)	(1 296 403)	(2 840 311)	(1 505 275)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	392 169	400 051	277 706	500 204
Distributions from net income	(27 030)	(12 553)	(30 590)	(14 208)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(27 030)	(12 553)	(30 590)	(14 208)
NET INCREASE (DECREASE) IN NAV	392 060	400 160	277 569	500 342
NAV AT END OF PERIOD	\$ 1 795 204	\$ 1 403 144	\$ 2 038 896	\$ 1 761 327

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



December 31, 2018

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
R-1 (H)	66.3	65.8
R-1 (M)	7.7	7.8
R-1 (L)	26.0	26.4
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Corporate Notes	99.0	98.3
Cash/Other	1.0	1.7
Total	100.0	100.0

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
0 – 1 month	51.2	38.4
1 – 3 months	31.6	37.3
3 – 6 months	16.5	23.0
6 – 12 months	0.7	1.3
Total	100.0	100.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 018 373	–	2 018 373
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	2 018 373	–	2 018 373
% of total portfolio	–	100.0	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 732 156	–	1 732 156
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 732 156	–	1 732 156
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	0.65%	0.05%
Advisor Series	0.65%	0.05%
Series D	0.50%*	0.05%
Series F	0.40%	0.05%
Series O	n/a†	0.02%

* 0.50% of the Series D NAV of the Fund up to \$200 000 000 and 0.40% of the Series D NAV of the Fund in excess of \$200 000 000.

† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	47	46
Advisor Series	54	54
Series D	2 091	2 917
Series F	2	2
Series O	576	401
Value of all units	28	34

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	484	522
Issued number of units	311	658
Reinvested number of units	6	3
Redeemed number of units	(228)	(699)
Ending number of units	573	484
Advisor Series		
Opening units	101	143
Issued number of units	451	41
Reinvested number of units	3	1
Redeemed number of units	(139)	(84)
Ending number of units	416	101
Series D		
Opening units	34 800	24 865
Issued number of units	19 926	27 677
Reinvested number of units	335	157
Redeemed number of units	(33 256)	(17 899)
Ending number of units	21 805	34 800
Series F		
Opening units	430	271
Issued number of units	2 746	2 362
Reinvested number of units	8	3
Redeemed number of units	(1 608)	(2 206)
Ending number of units	1 576	430

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series O		
Opening units	140 304	100 298
Issued number of units	285 825	168 484
Reinvested number of units	2 192	1 162
Redeemed number of units	(248 801)	(129 640)
Ending number of units	179 520	140 304

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North Balanced Fund	0.7	0.8
Phillips, Hager & North Balanced Pension Trust	0.9	1.1
Phillips, Hager & North LifeTime 2015 Fund	–	–
Phillips, Hager & North LifeTime 2020 Fund	–	–
Phillips, Hager & North LifeTime 2025 Fund	–	–
Phillips, Hager & North LifeTime 2030 Fund	–	–
Phillips, Hager & North LifeTime 2035 Fund	–	–
Phillips, Hager & North LifeTime 2040 Fund	–	–
Phillips, Hager & North LifeTime 2045 Fund	–	–
Phillips, Hager & North LifeTime 2050 Fund	–	–
Phillips, Hager & North LifeTime 2055 Fund	–	–
Total	1.6	1.9



SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)

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

December 31, 2018

Par Value (000s)	Security	Cost/ Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
3 725	Bank of Montreal	\$ 3 709	
4 475	Bank of Nova Scotia	4 466	
9 710	Toronto-Dominion Bank	9 686	
		<u>17 861</u>	<u>15.5</u>
COMMERCIAL PAPER			
5 575	Banner Trust	5 543	
3 140	Caisse Centrale Desjardins	3 122	
4 635	Canadian Master Trust - Series A	4 597	
4 600	Clarity Trust	4 569	
2 500	Enbridge Pipelines Inc.	2 493	
3 075	Fusion Trust	3 053	
5 500	Merit Trust - Senior Notes	5 463	
4 875	OMERS Realty Corp.	4 847	
5 145	Prime Trust - Senior Notes	5 117	
2 975	Ridge Trust	2 949	
4 000	SAFE Trust - Series 1996-1	3 972	
4 200	SOUND Trust	4 180	
4 825	STABLE Trust	4 799	
4 325	SURE Trust	4 299	
4 725	Zeus Receivables Trust - Senior Notes	4 696	
		<u>63 699</u>	<u>55.5</u>
FEDERAL OBLIGATIONS			
9 175	Export Development Canada Corp.	9 056	
		<u>9 056</u>	<u>7.9</u>
PROVINCIAL OBLIGATIONS			
22 925	Province of Alberta	22 804	
975	Province of Quebec	973	
		<u>23 777</u>	<u>20.7</u>
TOTAL INVESTMENTS			
		<u>114 393</u>	<u>99.6</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
		<u>462</u>	<u>0.4</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
		<u>\$ 114 855</u>	<u>100.0</u>

Investments, which are grouped by issuer, earn interest at rates ranging from 2.10% to 3.03% and mature between January 3, 2019 and May 31, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 114 393	\$ 70 714
Cash	5	23
Subscriptions receivable	400	475
Dividends receivable, interest accrued and other assets	446	126
TOTAL ASSETS	115 244	71 338
LIABILITIES		
Redemptions payable	354	117
Distributions payable	16	6
Accounts payable and accrued expenses	19	9
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	389	132
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 114 855	\$ 71 206
Investments at cost	\$ 114 393	\$ 70 714
NAV		
SERIES A	\$ 2 615	\$ 1 209
ADVISOR SERIES	\$ 451	\$ 54
SERIES D	\$ 20 019	\$ 19 096
SERIES F	\$ 42 266	\$ 1 408
SERIES O	\$ 49 504	\$ 49 439
NAV PER UNIT		
SERIES A	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 1 749	\$ 778
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	1 749	778
TOTAL INCOME (LOSS)	1 749	778
EXPENSES (see notes – Fund Specific Information)		
Management fees	163	98
Administration fees	36	33
Independent Review Committee costs	2	2
GST/HST	22	12
Expenses reimbursed by manager	(111)	(67)
TOTAL EXPENSES	112	78
INCREASE (DECREASE) IN NAV	\$ 1 637	\$ 700
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 37	\$ 11
ADVISOR SERIES	\$ 6	\$ –
SERIES D	\$ 352	\$ 166
SERIES F	\$ 234	\$ 13
SERIES O	\$ 1 008	\$ 510
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.19	\$ 0.10
ADVISOR SERIES	\$ 0.19	\$ 0.10
SERIES D	\$ 0.19	\$ 0.10
SERIES F	\$ 0.19	\$ 0.10
SERIES O	\$ 0.21	\$ 0.12



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 1 637	\$ 700
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	—	—
Change in unrealized loss (gain) on investments	—	—
(Increase) decrease in accrued receivables	(320)	(72)
Increase (decrease) in accrued payables	10	4
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(527 126)	(713 400)
Proceeds from sale and maturity of investments	483 447	693 255
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(42 352)	(19 513)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	125 116	83 283
Cash paid on redemption of redeemable units	(82 667)	(63 741)
Distributions paid to holders of redeemable units	(115)	(54)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 42 334	\$ 19 488
Net increase (decrease) in cash for the period	(18)	(25)
Cash (bank overdraft), beginning of period	23	48
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 5	\$ 23
 Interest received (paid)	 \$ 1 429	 \$ 706
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 209	\$ 1 089	\$ 54	\$ 54	\$ 19 096	\$ 15 180	\$ 1 408	\$ 819
INCREASE (DECREASE) IN NAV	37	11	6	—	352	166	234	13
Proceeds from redeemable units issued	3 134	1 340	402	200	11 584	10 892	56 724	2 081
Reinvestments of distributions to holders of redeemable units	48	10	9	1	463	157	478	14
Redemption of redeemable units	(1 762)	(1 229)	(11)	(200)	(11 005)	(7 134)	(16 097)	(1 505)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 420	121	400	1	1 042	3 915	41 105	590
Distributions from net income	(35)	(12)	(6)	(1)	(354)	(165)	(234)	(14)
Distributions from net gains	(16)	—	(3)	—	(117)	—	(247)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(51)	(12)	(9)	(1)	(471)	(165)	(481)	(14)
NET INCREASE (DECREASE) IN NAV	1 406	120	397	—	923	3 916	40 858	589
NAV AT END OF PERIOD	\$ 2 615	\$ 1 209	\$ 451	\$ 54	\$ 20 019	\$ 19 096	\$ 42 266	\$ 1 408

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 49 439	\$ 34 364	\$ 71 206	\$ 51 506
INCREASE (DECREASE) IN NAV	1 008	510	1 637	700
Proceeds from redeemable units issued	53 295	68 424	125 139	82 937
Reinvestments of distributions to holders of redeemable units	1 188	459	2 186	641
Redemption of redeemable units	(54 127)	(53 813)	(83 002)	(63 881)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	356	15 070	44 323	19 697
Distributions from net income	(1 011)	(505)	(1 640)	(697)
Distributions from net gains	(288)	—	(671)	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 299)	(505)	(2 311)	(697)
NET INCREASE (DECREASE) IN NAV	65	15 075	43 649	19 700
NAV AT END OF PERIOD	\$ 49 504	\$ 49 439	\$ 114 855	\$ 71 206

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



December 31, 2018

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
R-1 (H)	96.8	93.1
R-1 (M)	0.9	—
R-1 (L)	2.3	4.7
Unrated	—	2.2
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Corporate Notes	71.0	80.7
Government Notes	28.6	18.6
Cash/Other	0.4	0.7
Total	100.0	100.0

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
0 – 1 month	71.6	32.5
1 – 3 months	25.8	52.8
3 – 6 months	2.6	14.7
6 – 12 months	—	—
Total	100.0	100.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	114 393	—	114 393
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	114 393	—	114 393
% of total portfolio	—	100.0	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	70 714	—	70 714
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	70 714	—	70 714
% of total portfolio	—	100.0	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	0.75%	0.05%
Advisor Series	0.75%	0.05%
Series D	0.50%	0.05%
Series F	0.50%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

**Investments by related parties
(USD000s except unit amounts)**

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

	December 31 2018	December 31 2017
Units held		
Advisor Series	38	37
Series D	1	1
Series O	6	8
Value of all units	–	–

Taxes (CAD000s) (see note 6 in the generic notes)

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

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	121	109
Issued number of units	313	134
Reinvested number of units	5	1
Units consolidated*	(2)	–
Redeemed number of units	(176)	(123)
Ending number of units	261	121
Advisor Series		
Opening units	5	5
Issued number of units	40	20
Reinvested number of units	1	–
Units consolidated*	–	–
Redeemed number of units	(1)	(20)
Ending number of units	45	5
Series D		
Opening units	1 909	1 518
Issued number of units	1 159	1 088
Reinvested number of units	46	16
Units consolidated*	(11)	–
Redeemed number of units	(1 101)	(713)
Ending number of units	2 002	1 909

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	141	82
Issued number of units	5 673	209
Reinvested number of units	48	1
Units consolidated*	(25)	–
Redeemed number of units	(1 610)	(151)
Ending number of units	4 227	141
Series O		
Opening units	4 943	3 436
Issued number of units	5 330	6 842
Reinvested number of units	119	46
Units consolidated*	(29)	–
Redeemed number of units	(5 413)	(5 381)
Ending number of units	4 950	4 943

* The units of the Fund are consolidated immediately after a distribution is reinvested so that the total number of units outstanding of the Fund after consolidation is the same as before the distribution.



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

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

December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
CORPORATE						
1 925	407 International Inc.	4.990	16-Jun-2020	\$ 2 040	\$ 1 992	
23 890	407 International Inc.	2.470	08-Sep-2022	23 528	23 489	
3 941	Alliance Pipeline LP	4.928	16-Dec-2019	4 017	4 016	
29 154	AltaLink Investments LP	3.674	05-Jun-2019	30 050	29 218	
5 082	AltaLink Investments LP	3.265	05-Jun-2020	5 269	5 123	
32 903	AltaLink Investments LP	2.244	07-Mar-2022	32 408	32 318	
1 575	AltaLink LP	3.621	17-Sep-2020	1 577	1 603	
13 958	AltaLink LP	2.978	28-Nov-2022	14 504	14 084	
56 830	Bank of Montreal	2.100	06-Oct-2020	56 174	56 339	
23 955	Bank of Montreal	1.880	31-Mar-2021	23 412	23 539	
35 200	Bank of Montreal	3.400	23-Apr-2021	35 732	35 750	
78 275	Bank of Montreal	1.610	28-Oct-2021	75 473	75 873	
36 135	Bank of Montreal	2.890	20-Jun-2023	36 046	36 115	
9 794	Bell Canada	3.540	12-Jun-2020	9 982	9 900	
30 845	Bell Canada	3.250	17-Jun-2020	31 020	31 054	
24 580	Bell Canada	4.950	19-May-2021	26 685	25 680	
3 270	Bell Canada	3.150	29-Sep-2021	3 290	3 279	
7 500	Bell Canada	2.000	01-Oct-2021	7 250	7 294	
7 155	Bell Canada	2.700	27-Feb-2024	6 857	6 909	
8 032	Blackbird Infrastructure 407 GP	1.713	08-Oct-2021	7 969	7 961	
5 771	Brookfield Asset Management Inc.	3.950	09-Apr-2019	5 988	5 794	
5 740	Brookfield Asset Management Inc.	5.300	01-Mar-2021	6 406	5 987	
18 536	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	18 746	18 727	
3 859	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	3 926	3 860	
60 344	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	64 125	62 455	
9 887	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	10 898	10 261	
3 590	Brookfield Renewable Energy Partners ULC	3.752	02-Jun-2025	3 529	3 552	
49 826	Bruce Power LP	2.844	23-Jun-2021	50 426	49 646	
4 570	Bruce Power LP	3.000	21-Jun-2024	4 524	4 476	
2 340	Caisse Centrale Desjardins	2.443	17-Jul-2019	2 407	2 342	
6 042	Cameco Corp.	5.670	02-Sep-2019	6 741	6 152	
9 818	Cameco Corp.	3.750	14-Nov-2022	9 899	9 763	
29 850	Canadian Imperial Bank of Commerce	1.660	20-Jan-2020	29 496	29 616	
22 757	Canadian Imperial Bank of Commerce	1.900	26-Apr-2021	22 264	22 346	
17 875	Canadian Imperial Bank of Commerce	2.900	14-Sep-2021	17 848	17 935	
5 000	Canadian Real Estate Investment Trust	4.323	15-Jan-2021	5 086	5 112	
4 928	Canadian Utilities Ltd.	3.122	09-Nov-2022	5 127	4 990	
24 252	Choice Properties LP	3.600	20-Apr-2020	24 882	24 444	
5 000	Choice Properties Real Estate Investment Trust	3.498	08-Feb-2021	5 015	5 037	
5 810	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	5 827	5 825	
2 992	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	3 093	3 010	
8 004	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	8 471	8 132	
7 504	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	7 654	7 468	
11 237	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	11 285	11 112	
9 670	CU Inc.	6.800	13-Aug-2019	10 095	9 934	
18 198	CU Inc.	4.801	22-Nov-2021	19 456	19 290	
1 282	CU Inc.	6.215	06-Mar-2024	1 543	1 485	
3 742	Emera Inc.	4.830	02-Dec-2019	4 099	3 811	
81 376	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	84 527	83 445	
23 999	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	26 091	25 365	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 899	Enbridge Gas Distribution Inc.	6.050	05-Jul-2023	\$ 2 231	\$ 2 136	
25 980	Enbridge Inc.	4.100	22-Feb-2019	26 039	25 808	
30 958	Enbridge Inc.	4.770	02-Sep-2019	33 824	31 403	
11 625	Enbridge Inc.	4.530	09-Mar-2020	12 080	11 853	
5 797	Enbridge Inc.	4.260	01-Feb-2021	6 213	5 939	
38 799	Enbridge Pipelines Inc.	4.490	12-Nov-2019	40 942	39 524	
14 784	Enbridge Pipelines Inc.	4.450	06-Apr-2020	15 407	15 099	
24 458	Enbridge Pipelines Inc.	2.930	30-Nov-2022	25 232	24 411	
16 389	Enbridge Pipelines Inc.	3.790	17-Aug-2023	17 749	16 853	
8 800	Enbridge Pipelines Inc.	6.350	17-Nov-2023	10 755	9 973	
23 882	Fortis Inc.	2.850	12-Dec-2023	23 635	23 551	
1 035	Gaz Metro Inc.	4.930	18-Jun-2019	1 115	1 047	
5 135	Gaz Metro Inc.	5.450	12-Jul-2021	5 709	5 493	
500	GE Capital Canada Funding Co.	3.550	11-Jun-2019	506	500	
23 363	Greater Toronto Airports Authority	1.510	16-Feb-2021	23 230	22 876	
4 000	Greater Toronto Airports Authority	3.040	21-Sep-2022	4 171	4 057	
32 673	Hydro One Inc.	1.480	18-Nov-2019	32 684	32 427	
32 410	Hydro One Inc.	1.620	30-Apr-2020	32 086	32 025	
25 952	Hydro One Inc.	4.400	01-Jun-2020	27 070	26 605	
58 950	Hydro One Inc.	1.840	24-Feb-2021	58 478	57 933	
17 365	Hydro One Inc.	2.570	25-Jun-2021	17 361	17 309	
40 525	Hydro One Inc.	3.200	13-Jan-2022	42 025	40 966	
14 365	Hydro One Inc.	2.970	26-Jun-2025	14 361	14 240	
7 930	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	8 309	8 099	
5 657	Inter Pipeline Ltd.	3.448	20-Jul-2020	5 809	5 700	
5 000	Inter Pipeline Ltd.	4.967	02-Feb-2021	5 172	5 184	
11 000	John Deere Canada Funding Inc.	2.050	17-Sep-2020	10 863	10 892	
22 710	John Deere Canada Funding Inc.	2.700	12-Oct-2021	22 576	22 651	
3 275	Loblaw Companies Ltd.	3.748	12-Mar-2019	3 277	3 286	
7 080	Loblaw Companies Ltd.	4.860	12-Sep-2023	7 418	7 479	
19 525	Loblaw Companies Ltd.	3.918	10-Jun-2024	19 525	19 882	
1 310	Lower Mattagami Energy LP	4.331	18-May-2021	1 371	1 360	
322	NAV Canada	4.397	18-Feb-2021	341	334	
72 783	North West Redwater Partnership	2.100	23-Feb-2022	70 887	70 764	
32 409	North West Redwater Partnership	3.200	22-Jul-2024	32 370	32 319	
2 501	Nova Scotia Power Inc.	9.750	02-Aug-2019	3 417	2 600	
3 740	OMERS Realty Corp.	2.473	12-Nov-2019	3 740	3 743	
2 165	Pembina Pipeline Corp.	3.770	24-Oct-2022	2 183	2 192	
8 615	Rogers Communications Inc.	2.800	13-Mar-2019	8 613	8 623	
28 060	Rogers Communications Inc.	5.380	04-Nov-2019	28 726	28 690	
19 155	Rogers Communications Inc.	4.700	29-Sep-2020	19 841	19 741	
30 890	Royal Bank of Canada*	2.860	04-Mar-2021	31 078	31 006	
105 405	Royal Bank of Canada*	2.030	15-Mar-2021	105 676	103 950	
56 967	Royal Bank of Canada*	1.650	15-Jul-2021	55 756	55 464	
9 500	Royal Bank of Canada*	1.583	13-Sep-2021	9 116	9 214	
15 905	Royal Bank of Canada*	2.360	05-Dec-2022	15 522	15 611	
23 500	Royal Bank of Canada*	2.949	01-May-2023	23 381	23 552	
3 289	Sun Life Financial Inc.	2.770	13-May-2024	3 329	3 293	
6 340	Sysco Canada Inc.	3.650	25-Apr-2025	6 338	6 370	
14 980	TELUS Corp.	5.050	23-Jul-2020	15 685	15 494	
4 590	TELUS Corp.	2.350	28-Mar-2022	4 451	4 481	
8 466	TELUS Corp.	3.350	15-Mar-2023	8 429	8 479	
3 304	Toronto Hydro Corp.	4.490	12-Nov-2019	3 564	3 363	
2 985	Toronto Hydro Corp.	3.540	18-Nov-2021	3 077	3 060	
25 250	Toronto-Dominion Bank	1.693	02-Apr-2020	24 909	25 005	
38 435	Toronto-Dominion Bank	2.563	24-Jun-2020	38 572	38 454	
31 570	Toronto-Dominion Bank	2.045	08-Mar-2021	31 007	31 168	
165 119	Toronto-Dominion Bank	1.680	08-Jun-2021	163 789	161 756	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
30 415	Toronto-Dominion Bank	2.621	22-Dec-2021	\$ 30 175	\$ 30 304	
26 595	Toronto-Dominion Bank	1.994	23-Mar-2022	25 814	25 961	
3 619	TransCanada PipeLines Ltd.	11.800	20-Nov-2020	5 461	4 192	
12 182	TransCanada PipeLines Ltd.	3.650	15-Nov-2021	12 885	12 434	
41 903	TransCanada PipeLines Ltd.	3.690	19-Jul-2023	43 320	42 791	
30 408	Union Gas Ltd.	2.760	02-Jun-2021	30 783	30 441	
12 638	Union Gas Ltd.	4.850	25-Apr-2022	14 345	13 445	
4 900	Union Gas Ltd.	3.790	10-Jul-2023	5 019	5 077	
25 439	Wells Fargo Canada Corp.	2.944	25-Jul-2019	25 623	25 518	
29 280	Westcoast Energy Inc.	5.600	16-Jan-2019	30 979	29 308	
3 094	Westcoast Energy Inc.	9.900	10-Jan-2020	4 081	3 311	
24 339	Westcoast Energy Inc.	4.570	02-Jul-2020	25 523	24 955	
4 000	Westcoast Energy Inc.	3.883	28-Oct-2021	4 212	4 095	
41 650	Westcoast Energy Inc.	3.120	05-Dec-2022	41 674	41 722	
676	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	700	684	
				2 484 371	2 452 433	35.6
FEDERAL						
272 190	Canada Housing Trust No. 1	1.450	15-Jun-2020	270 112	270 388	
261 391	Canada Housing Trust No. 1	1.250	15-Dec-2020	258 497	257 783	
50 853	Canada Housing Trust No. 1	3.800	15-Jun-2021	53 741	52 977	
70 524	Canada Housing Trust No. 1	1.500	15-Dec-2021	69 100	69 312	
39 003	Canada Housing Trust No. 1	1.750	15-Jun-2022	38 298	38 447	
203 026	Canada Housing Trust No. 1	2.400	15-Dec-2022	204 023	204 338	
313 797	Canada Housing Trust No. 1	2.350	15-Jun-2023	312 831	314 827	
214 975	Canada Housing Trust No. 1	2.550	15-Dec-2023	215 067	217 374	
7 710	Government of Canada	1.500	01-Mar-2020	7 667	7 681	
630	Government of Canada	3.500	01-Jun-2020	644	644	
514 461	Government of Canada	2.250	01-Feb-2021	516 910	518 472	
20 675	Government of Canada	0.750	01-Mar-2021	20 040	20 189	
13 080	Government of Canada	3.250	01-Jun-2021	13 384	13 504	
15 415	Government of Canada	0.750	01-Sep-2021	14 839	14 970	
135 979	Government of Canada	4.250	01-Dec-2021	153 400	149 974	
95 739	Government of Canada	0.500	01-Mar-2022	90 657	91 721	
11 093	Government of Canada	2.750	01-Jun-2022	11 314	11 413	
15 280	Government of Canada	1.750	01-Mar-2023	15 182	15 197	
171 982	Government of Canada	2.000	01-Sep-2023	170 289	172 872	
395	Government of Canada	2.250	01-Jun-2025	390	403	
				2 436 385	2 442 486	35.4
PROVINCIAL/MUNICIPAL						
12 110	City of Montreal	4.500	01-Dec-2021	12 840	12 840	
27 735	Municipal Finance Authority of British Columbia	2.150	01-Dec-2022	27 197	27 427	
56 579	Province of Manitoba	1.550	05-Sep-2021	56 299	55 618	
86 551	Province of Ontario	4.000	02-Jun-2021	89 933	90 247	
121 664	Province of Ontario	3.150	02-Jun-2022	126 245	124 910	
147 814	Province of Ontario	2.850	02-Jun-2023	149 812	150 240	
178 716	Province of Ontario	2.600	08-Sep-2023	178 097	179 737	
				640 423	641 019	9.3
TOTAL CANADIAN BONDS				5 561 179	5 535 938	80.3
UNITED KINGDOM BONDS						
15 169	BAA Funding Ltd. CAD	4.000	03-Jul-2019	15 412	15 297	
19 944	Heathrow Funding Ltd. CAD	3.000	17-Jun-2021	20 083	19 961	
43 455	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	43 695	43 649	
TOTAL UNITED KINGDOM BONDS				79 190	78 907	1.2

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED STATES BONDS						
30 876	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-2023	\$ 31 732	\$ 30 838	
19 785	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	19 591	18 796	
62 715	AT&T Inc. CAD	4.000	25-Nov-2025	62 549	62 530	
6 960	John Deere Financial Inc.	3.070	23-Jul-2021	6 958	7 013	
9 781	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	9 629	9 771	
14 040	Molson Coors International LP CAD	2.750	18-Sep-2020	14 001	13 970	
13 945	The Walt Disney Co. CAD	2.758	07-Oct-2024	13 818	13 726	
20 550	United Parcel Service Inc. CAD	2.125	21-May-2024	20 338	19 600	
51 178	Wells Fargo & Co. CAD	2.222	15-Mar-2021	50 805	50 338	
10 000	Wells Fargo & Co. CAD	2.094	25-Apr-2022	9 625	9 672	
TOTAL UNITED STATES BONDS				239 046	236 254	3.4
TOTAL BONDS				5 879 415	5 851 099	84.9
MORTGAGE-BACKED SECURITIES						
3 330	Canadian Mortgage Pools	1.600	01-Mar-2019	3 295	3 327	
12 689	Canadian Mortgage Pools	1.750	01-Aug-2019	12 627	12 669	
9 247	Canadian Mortgage Pools	2.000	01-Sep-2019	9 212	9 241	
7 655	Canadian Mortgage Pools	1.900	01-Nov-2019	7 635	7 642	
5 697	Canadian Mortgage Pools	1.800	01-Dec-2019	5 694	5 684	
7 067	Canadian Mortgage Pools	1.200	01-Feb-2020	7 036	7 008	
13 547	Canadian Mortgage Pools	1.250	01-Mar-2021	13 325	13 325	
36 434	Canadian Mortgage Pools	1.400	01-May-2021	36 487	35 865	
15 418	Canadian Mortgage Pools	1.550	01-Jun-2021	15 489	15 204	
24 982	Canadian Mortgage Pools	1.270	01-Jul-2021	24 781	24 504	
28 361	Canadian Mortgage Pools	1.300	01-Aug-2021	28 096	27 794	
6 778	Canadian Mortgage Pools	1.350	01-Sep-2021	6 723	6 640	
45 687	Canadian Mortgage Pools	1.370	01-Nov-2021	45 140	44 748	
26 951	Canadian Mortgage Pools	1.450	01-Dec-2021	26 676	26 415	
34 884	Canadian Mortgage Pools	1.620	01-Mar-2022	34 476	34 263	
10 294	Canadian Mortgage Pools	1.420	01-Jun-2022	10 266	10 037	
74 044	Canadian Mortgage Pools	1.890	01-Sep-2022	72 780	73 046	
41 107	Canadian Mortgage Pools	2.390	01-May-2023	40 721	41 106	
TOTAL MORTGAGE-BACKED SECURITIES				400 459	398 518	5.8
MORTGAGES (SCHEDULE A)				484 621	485 236	7.0
SHORT-TERM INVESTMENTS[†]				128 479	128 479	1.9
TOTAL INVESTMENTS				\$ 6 892 974	6 863 332	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					28 005	0.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 6 891 337	100.0

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



December 31, 2018

SCHEDULE A

Mortgages

Number of Loans	Interest Rate (%)	Principal 2019	2020	2021	2022	2023	2024	Cost	Fair Value	% of Net Assets
—	2.25-2.49	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
3	2.50-2.74	830	18 488	—	—	—	—	19 368	19 015	
17	2.75-2.99	806	36 832	3 732	37 121	—	—	78 656	77 596	
12	3.00-3.24	2 902	34 240	1 921	—	—	4 721	43 874	43 601	
10	3.25-3.49	24 444	11 363	—	2 063	—	—	37 952	37 824	
24	3.50-3.74	66 167	48 314	11 725	1 937	—	17 600	146 078	146 373	
35	3.75-3.99	22 353	18 141	11 790	523	32 639	—	85 570	86 155	
15	4.00-4.24	3 756	2 024	5 974	702	49 211	—	61 775	63 147	
—	4.25-4.49	—	—	—	—	—	—	—	—	
1	4.50-4.74	—	—	7 111	—	—	—	7 111	7 288	
—	4.75-4.99	—	—	—	—	—	—	—	—	
—	5.00-5.24	—	—	—	—	—	—	—	—	
2	5.25-5.49	4 236	—	—	—	—	—	4 237	4 237	
119		\$ 125 494	\$ 169 402	\$ 42 253	\$ 42 346	\$ 81 850	\$ 22 321	\$ 484 621	\$ 485 236	7.0

SCHEDULE A (cont.)

Mortgages

	Number of Loans	Fair Value
CMHC Insured	2	\$ 15 726
Uninsured	117	469 510
	119	\$ 485 236

None of the mortgages are pre-payable.

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.95% to 2.27% and mature between January 4, 2019 and January 29, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 6 863 332	\$ 6 370 174
Cash	3 859	3 396
Due from investment dealers	19 794	—
Subscriptions receivable	3 590	9 487
Dividends receivable, interest accrued and other assets	28 384	23 025
TOTAL ASSETS	6 918 959	6 406 082
LIABILITIES		
Due to investment dealers	19 511	6 932
Redemptions payable	7 606	1 934
Accounts payable and accrued expenses	505	549
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	27 622	9 415
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 6 891 337	\$ 6 396 667
Investments at cost	\$ 6 892 974	\$ 6 460 618
NAV		
SERIES A	\$ 72 403	\$ 109 271
ADVISOR SERIES	\$ 10 722	\$ 13 688
SERIES D	\$ 161 775	\$ 199 889
SERIES F	\$ 99 473	\$ 133 584
SERIES O	\$ 6 546 964	\$ 5 940 235
NAV PER UNIT		
SERIES A	\$ 10.20	\$ 10.25
ADVISOR SERIES	\$ 10.20	\$ 10.25
SERIES D	\$ 10.16	\$ 10.21
SERIES F	\$ 10.14	\$ 10.19
SERIES O	\$ 9.88	\$ 9.92

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 168 188	\$ 134 645
Net realized gain (loss) on investments	(93 258)	(30 936)
Change in unrealized gain (loss) on investments	60 802	(66 990)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	135 732	36 719
Securities lending revenue (see note 7 in the generic notes)	564	48
Net gain (loss) on foreign cash balances	(50)	52
TOTAL OTHER INCOME (LOSS)	514	100
TOTAL INCOME (LOSS)	136 246	36 819
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 240	3 008
Administration fees	3 294	2 975
Independent Review Committee costs	2	3
GST/HST	546	581
TOTAL EXPENSES	6 082	6 567
INCREASE (DECREASE) IN NAV	\$ 130 164	\$ 30 252
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 690	\$ (339)
ADVISOR SERIES	\$ 105	\$ (46)
SERIES D	\$ 2 333	\$ 37
SERIES F	\$ 1 580	\$ 251
SERIES O	\$ 125 456	\$ 30 349
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.08	\$ (0.03)
ADVISOR SERIES	\$ 0.09	\$ (0.03)
SERIES D	\$ 0.13	\$ —
SERIES F	\$ 0.14	\$ 0.02
SERIES O	\$ 0.20	\$ 0.06



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 130 164	\$ 30 252
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	(26)
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	93 258	30 936
Change in unrealized loss (gain) on investments	(60 802)	66 990
(Increase) decrease in accrued receivables	(5 359)	(1 140)
Increase (decrease) in accrued payables	(44)	(42)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(18 435 151)	(14 600 904)
Proceeds from sale and maturity of investments	17 902 322	13 861 694
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(375 612)	(612 240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	2 399 668	2 239 512
Cash paid on redemption of redeemable units	(2 007 594)	(1 615 837)
Distributions paid to holders of redeemable units	(15 999)	(11 280)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 376 075	\$ 612 395
Net increase (decrease) in cash for the period	463	155
Cash (bank overdraft), beginning of period	3 396	3 241
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 3 859	\$ 3 396
Interest received (paid)	\$ 162 829	\$ 133 479
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 109 271	\$ 172 864	\$ 13 688	\$ 20 873	\$ 199 889	\$ 214 040	\$ 133 584	\$ 145 710
INCREASE (DECREASE) IN NAV	690	(339)	105	(46)	2 333	37	1 580	251
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	5 106	29 536	3 740	2 687	30 183	33 122	34 732	73 395
Reinvestments of distributions to holders of redeemable units	1 155	1 448	164	178	3 151	3 195	1 757	1 670
Redemption of redeemable units	(42 563)	(92 575)	(6 801)	(9 810)	(70 380)	(47 051)	(69 837)	(85 018)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(36 302)	(61 591)	(2 897)	(6 945)	(37 046)	(10 734)	(33 348)	(9 953)
Distributions from net income	(1 256)	(1 663)	(174)	(194)	(3 401)	(3 454)	(2 343)	(2 424)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 256)	(1 663)	(174)	(194)	(3 401)	(3 454)	(2 343)	(2 424)
NET INCREASE (DECREASE) IN NAV	(36 868)	(63 593)	(2 966)	(7 185)	(38 114)	(14 151)	(34 111)	(12 126)
NAV AT END OF PERIOD	\$ 72 403	\$ 109 271	\$ 10 722	\$ 13 688	\$ 161 775	\$ 199 889	\$ 99 473	\$ 133 584

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 5 940 235	\$ 5 186 690	\$ 6 396 667	\$ 5 740 177
INCREASE (DECREASE) IN NAV	125 456	30 349	130 164	30 252
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	2 328 481	2 116 848	2 402 242	2 255 588
Reinvestments of distributions to holders of redeemable units	139 651	109 264	145 878	115 755
Redemption of redeemable units	(1 832 156)	(1 383 616)	(2 021 737)	(1 618 070)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	635 976	842 496	526 383	753 273
Distributions from net income	(154 703)	(119 300)	(161 877)	(127 035)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(154 703)	(119 300)	(161 877)	(127 035)
NET INCREASE (DECREASE) IN NAV	606 729	753 545	494 670	656 490
NAV AT END OF PERIOD	\$ 6 546 964	\$ 5 940 235	\$ 6 891 337	\$ 6 396 667

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



December 31, 2018

The Fund was closed to new investors effective July 4, 2016 and reopened to new investors effective July 26, 2017.

General information (see note 1 in the generic notes)

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

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
AAA	45.1	53.8
AA	18.3	12.9
A	13.7	11.2
BBB	15.2	12.4
BB	0.5	0.6
Unrated*	7.2	9.1
Total	100.0	100.0

* Mortgages represent 100% (December 31, 2017 – 100%) of the unrated above. 3.2% (December 31, 2017 – 2.8%) of the mortgages are Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. To manage the credit risk on the remaining 96.8% (December 31, 2017 – 97.2%), which are conventional mortgages, the Fund only purchases mortgages that are no more than 75% of the value of the property and the net income generated by the property must be at least 1.2x the income required to pay the monthly debt service requirements. These statistics are monitored on an ongoing basis both at the individual security level and on an aggregate level. As at December 31, 2018 and 2017, there were no mortgage payments in arrears for more than 90 days.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Corporate Bonds	40.2	32.4
Federal Bonds	35.4	41.2
Provincial Bonds	9.3	8.9
Mortgages	7.0	9.7
Mortgage-Backed Bonds	5.8	6.1
Cash/Other	2.3	1.7
Total	100.0	100.0

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	8.5	11.0
1 – 5 years	88.1	79.7
5 – 10 years	3.4	9.3
> 10 years	—	—
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.6% (December 31, 2017 – 2.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	6 249 617	485 236	6 734 853
Short-term investments	—	128 479	—	128 479
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	6 378 096	485 236	6 863 332
% of total portfolio	—	92.9	7.1	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	5 714 698	568 887	6 283 585
Short-term investments	—	86 589	—	86 589
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	5 801 287	568 887	6 370 174
% of total portfolio	—	91.1	8.9	100.0



December 31, 2018

During the periods ended December 31, 2018 and 2017, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2018	December 31 2017
Balance at beginning of period	568 887	587 755
Net purchases	292 820	276 569
Net sales	(378 642)	(289 587)
Net transfers in (out)	–	–
Realized gains (losses)	(453)	(454)
Change in unrealized gains (losses)	2 624	(5 396)
Balance at end of period	485 236	568 887
Change in unrealized gains (losses) for Level 3 assets held at end of period	2 752	(5 189)

The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at December 31, 2018, a 10% increase or decrease in the weighted average spread premium of 1.60% (December 31, 2017 – 1.72%), an unobservable input, would have increased or decreased the Fund's NAV respectively by approximately 0.0% (December 31, 2017 – 0.0%).

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series D	0.50%	0.05%
Series F	0.40%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	54	54
Advisor Series	109	107
Series D	57	56
Series F	57	56
Value of all units	3	3

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	135 142
Non-capital losses	–

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	10 664	16 593
Issued number of units	502	2 861
Reinvested number of units	113	140
Redeemed number of units	(4 178)	(8 930)
Ending number of units	7 101	10 664
Advisor Series		
Opening units	1 335	2 003
Issued number of units	367	259
Reinvested number of units	16	17
Redeemed number of units	(667)	(944)
Ending number of units	1 051	1 335

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



December 31, 2018

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	19 577	20 621
Issued number of units	2 975	3 199
Reinvested number of units	311	310
Redeemed number of units	(6 934)	(4 553)
Ending number of units	15 929	19 577
Series F		
Opening units	13 111	14 067
Issued number of units	3 426	7 135
Reinvested number of units	174	163
Redeemed number of units	(6 898)	(8 254)
Ending number of units	9 813	13 111
Series O		
Opening units	598 459	514 114
Issued number of units	235 929	211 148
Reinvested number of units	14 166	10 926
Redeemed number of units	(185 721)	(137 729)
Ending number of units	662 833	598 459

Securities lending revenue (\$000s except %)

(see note 7 in the generic notes)

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

	December 31 2018	December 31 2017
Fair value of securities loaned	836 472	666 889
Fair value of collateral received	853 566	681 103

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	753	100	64	100
RBC IS (paid)	(189)	(25)	(16)	(25)
Tax withheld	—	—	—	—
Fund revenue	564	75	48	75

Investments by other related investment funds (%)
(see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North PRiSM Balanced Fund	18.2	16.5
RBC Conservative Bond Pool	0.5	—
RBC Core Bond Pool	0.4	—
RBC Monthly Income Bond Fund	5.1	7.1
RBC Select Choices Balanced Portfolio	0.2	0.5
RBC Select Choices Conservative Portfolio	0.1	0.3
RBC Select Conservative Portfolio	10.3	10.4
RBC Select Very Conservative Portfolio	10.8	12.2
RBC Target 2020 Education Fund	0.6	0.7
RBC Total Return Growth Fund	—	—
Total	46.2	47.7



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

December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
CORPORATE						
3 175	407 International Inc.	4.300	26-May-2021	\$ 3 276	\$ 3 285	
3 869	Access Justice Durham Ltd.	5.015	31-Aug-2039	4 258	4 369	
6 428	Access Prairies Partnership	4.232	01-Mar-2048	6 428	6 587	
2 274	Access Roads Edmonton Ltd.	5.669	30-Sep-2037	2 553	2 654	
4 136	Access Roads Edmonton Ltd.	5.812	30-Sep-2037	4 870	4 935	
6 885	Aéroports de Montréal	6.950	16-Apr-2032	9 348	8 784	
4 890	Aéroports de Montréal	5.170	17-Sep-2035	6 329	5 913	
4 520	Aéroports de Montréal	5.670	16-Oct-2037	6 141	5 872	
4 571	Aéroports de Montréal	3.919	26-Sep-2042	5 034	4 820	
4 640	Aéroports de Montréal	3.918	12-Jun-2045	5 023	4 897	
20 213	Aéroports de Montréal	3.360	24-Apr-2047	20 470	19 433	
26 825	Alberta Powerline LP	3.340	01-Jun-2032	26 825	26 748	
26 810	Alberta Powerline LP	3.351	01-Sep-2032	26 810	26 751	
17 000	Alectra Inc.	4.521	29-Apr-2021	17 802	17 730	
6 945	Alectra Inc.	3.239	21-Nov-2024	7 105	7 094	
10 547	Alliance Pipeline LP	4.928	16-Dec-2019	11 304	10 748	
15 123	Alliance Pipeline LP	7.181	30-Jun-2023	18 151	16 762	
1 830	Alliance Pipeline LP	5.546	31-Dec-2023	2 030	1 904	
11 441	Alliance Pipeline LP	6.765	31-Dec-2025	13 708	12 983	
11 665	Alliance Pipeline LP	7.217	31-Dec-2025	14 162	13 502	
28 090	AltaLink Investments LP	3.674	05-Jun-2019	28 263	28 151	
20 357	AltaLink Investments LP	3.265	05-Jun-2020	20 332	20 522	
12 886	AltaLink Investments LP	2.244	07-Mar-2022	12 886	12 657	
3 637	AltaLink LP	3.621	17-Sep-2020	3 692	3 701	
27 765	Bank of Montreal	2.100	06-Oct-2020	27 467	27 525	
35 360	Bank of Montreal	1.880	31-Mar-2021	34 568	34 746	
10 495	Bank of Montreal	3.400	23-Apr-2021	10 635	10 659	
121 893	Bank of Montreal	1.610	28-Oct-2021	117 487	118 152	
1 017	BC Tel	9.650	08-Apr-2022	1 380	1 212	
11 849	Bell Canada	3.250	17-Jun-2020	11 993	11 929	
17 835	Bell Canada	4.950	19-May-2021	18 742	18 633	
40 840	Bell Canada	3.150	29-Sep-2021	41 064	40 953	
17 690	Bell Canada	3.000	03-Oct-2022	17 448	17 540	
11 710	Bell Canada	4.700	11-Sep-2023	12 277	12 335	
8 790	Bell Canada	2.700	27-Feb-2024	8 424	8 488	
5 850	Bell Canada	3.350	12-Mar-2025	5 718	5 777	
3 465	Bell Canada	2.900	12-Aug-2026	3 239	3 279	
1 325	Bell Canada	3.600	29-Sep-2027	1 282	1 304	
1 928	Blackbird Infrastructure 407 GP	3.760	30-Jun-2047	1 972	1 921	
8 378	Bow Centre Street LP	3.690	14-Jun-2021	8 373	8 308	
3 742	Bow Centre Street LP	3.693	14-Jun-2022	3 750	3 689	
25 925	Bow Centre Street LP	3.797	13-Jun-2023	25 479	25 423	
15 715	Bridging North America GP	4.023	31-May-2038	15 896	16 588	
25 680	Brookfield Asset Management Inc.	3.950	09-Apr-2019	25 937	25 784	
10 000	Brookfield Asset Management Inc.	5.300	01-Mar-2021	10 503	10 431	
29 977	Brookfield Asset Management Inc.	5.040	08-Mar-2024	30 780	31 608	
8 403	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	8 477	8 489	
20 352	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	20 389	20 358	
6 751	Brookfield Infrastructure Finance ULC	3.315	22-Feb-2024	6 816	6 601	
28 771	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	30 515	29 777	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
10 955	Bruce Power LP	2.844	23-Jun-2021	\$ 10 981	\$ 10 915	
6 955	Bruce Power LP	3.000	21-Jun-2024	6 954	6 813	
12 955	Bruce Power LP	3.969	23-Jun-2026	13 366	13 189	
23 834	Bruce Power LP	4.010	21-Jun-2029	23 920	23 930	
1 625	Bruce Power LP	4.132	21-Jun-2033	1 626	1 586	
25 290	Cameco Corp.	5.670	02-Sep-2019	27 044	25 749	
25 377	Cameco Corp.	3.750	14-Nov-2022	25 422	25 234	
26 490	Cameco Corp.	4.190	24-Jun-2024	26 492	26 447	
21 415	Canadian Imperial Bank of Commerce	1.660	20-Jan-2020	21 161	21 247	
14 200	Canadian Imperial Bank of Commerce	1.640	12-Jul-2021	13 759	13 817	
6 095	Canadian Utilities Ltd.	9.400	01-May-2023	9 040	7 674	
3 700	Clover LP	4.216	31-Mar-2034	3 809	3 810	
12 195	Clover LP	4.216	30-Jun-2034	12 195	12 705	
5 624	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	5 799	5 658	
5 740	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	6 117	5 832	
5 751	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	5 765	5 723	
16 257	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	16 275	16 076	
3 290	CT Real Estate Investment Trust	3.527	09-Jun-2025	3 177	3 230	
13 033	CU Inc.	6.800	13-Aug-2019	13 587	13 389	
5 390	CU Inc.	11.770	30-Nov-2020	8 209	6 287	
13 965	CU Inc.	9.920	01-Apr-2022	21 598	16 980	
14 712	CU Inc.	6.215	06-Mar-2024	17 709	17 045	
5 830	CU Inc.	5.563	26-May-2028	7 202	6 913	
3 134	CU Inc.	5.556	30-Oct-2037	3 776	3 885	
272	CU Inc.	3.857	14-Nov-2052	296	268	
5 690	CU Inc.	4.094	19-Oct-2054	5 693	5 881	
1 577	CU Inc.	4.211	29-Oct-2055	1 578	1 665	
5 015	Dufferin Wind Power Inc.	4.317	30-Nov-2033	5 016	5 086	
2 115	Edmonton Regional Airport Authority	7.214	01-Nov-2030	2 860	2 635	
5 465	Ellisdon Infrastructure RIH General Partnership	3.930	31-Oct-2038	5 465	5 576	
13 270	Emera Inc.	4.830	02-Dec-2019	13 704	13 513	
5 505	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	5 835	5 645	
22 539	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	25 154	23 822	
4 375	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	4 397	4 418	
10 165	Enbridge Gas Distribution Inc.	6.650	03-Nov-2027	12 866	12 525	
3 107	Enbridge Gas Distribution Inc.	6.100	19-May-2028	3 748	3 728	
1 305	Enbridge Gas Distribution Inc.	6.160	16-Dec-2033	1 758	1 661	
6 154	Enbridge Gas Distribution Inc.	5.210	25-Feb-2036	7 674	7 197	
3 285	Enbridge Inc.	4.100	22-Feb-2019	3 292	3 263	
15 353	Enbridge Inc.	4.770	02-Sep-2019	16 459	15 574	
14 569	Enbridge Inc.	4.260	01-Feb-2021	15 061	14 926	
1 875	Enbridge Inc.	6.100	14-Jul-2028	2 093	2 111	
17 152	Enbridge Pipelines Inc.	4.450	06-Apr-2020	17 582	17 517	
5 006	Enbridge Pipelines Inc.	2.930	30-Nov-2022	5 046	4 996	
920	Enbridge Pipelines Inc.	3.790	17-Aug-2023	991	946	
3 140	Enbridge Pipelines Inc.	6.350	17-Nov-2023	3 739	3 559	
4 382	Enbridge Pipelines Inc.	8.200	15-Feb-2024	5 934	5 363	
18 870	Enbridge Pipelines Inc.	3.450	29-Sep-2025	19 146	18 906	
1 100	Enbridge Pipelines Inc.	6.050	12-Feb-2029	1 275	1 284	
15 354	Enbridge Pipelines Inc.	5.330	06-Apr-2040	17 735	17 016	
6 936	Enbridge Pipelines Inc.	4.550	17-Aug-2043	7 853	6 950	
13 038	Enbridge Pipelines Inc.	4.550	29-Sep-2045	13 485	13 066	
14 704	Enbridge Southern Lights LP	4.014	30-Jun-2040	14 700	14 516	
7 250	Enwave Energy Corp.	3.943	07-Dec-2037	7 250	6 876	
19 975	Fair Hydro Trust	3.357	15-May-2033	19 999	20 255	
12 675	Fair Hydro Trust	3.520	15-May-2038	12 675	12 952	
3 960	First Capital Realty Inc.	4.323	31-Jul-2025	3 983	4 029	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
14 155	Fortis Inc.	2.850	12-Dec-2023	\$ 13 854	\$ 13 959	
1 860	FortisBC Energy Inc.	5.550	25-Sep-2036	2 187	2 309	
1 232	FortisBC Energy Inc.	6.000	02-Oct-2037	1 640	1 606	
9 985	Gaz Metro Inc.	4.930	18-Jun-2019	11 144	10 104	
15 000	Gaz Metro Inc.	1.520	25-May-2020	14 730	14 809	
8 310	Gaz Metro Inc.	5.450	12-Jul-2021	9 430	8 890	
2 500	Gaz Metro Inc.	9.000	16-May-2025	3 777	3 341	
6 861	Grand Renewable Solar LP	3.926	31-Jan-2035	6 861	6 874	
3 275	Great Lakes Power Ltd.	6.600	16-Jun-2023	3 771	3 698	
17 924	Greater Toronto Airports Authority	6.450	03-Dec-2027	23 853	22 748	
894	Greater Toronto Airports Authority	6.450	30-Jul-2029	1 134	1 062	
5 300	Greater Toronto Airports Authority	7.050	12-Jun-2030	7 541	7 204	
4 256	Greater Toronto Airports Authority	7.100	04-Jun-2031	6 300	5 871	
12 675	Greater Toronto Airports Authority	6.980	15-Oct-2032	18 332	17 649	
11 147	Greater Toronto Airports Authority	6.470	02-Feb-2034	15 992	14 999	
7 190	Greater Toronto Airports Authority	3.260	01-Jun-2037	7 141	6 966	
2 130	Greater Toronto Airports Authority	5.630	07-Jun-2040	2 800	2 788	
7 752	Greater Toronto Airports Authority	5.300	25-Feb-2041	10 222	9 781	
2 400	Greater Toronto Airports Authority	4.530	02-Dec-2041	2 883	2 763	
35 269	H2O Power LP	3.310	30-Nov-2029	35 269	33 920	
10 363	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	12 174	12 181	
53 020	Hydro One Inc.	1.480	18-Nov-2019	52 364	52 621	
24 404	Hydro One Inc.	1.620	30-Apr-2020	24 318	24 114	
20 695	Hydro One Inc.	1.840	24-Feb-2021	20 523	20 338	
10 140	Hydro One Inc.	2.570	25-Jun-2021	10 139	10 107	
4 610	Hydro One Inc.	3.200	13-Jan-2022	4 660	4 660	
20 029	Hydro One Inc.	2.970	26-Jun-2025	19 921	19 855	
19 025	Hydro One Inc.	2.770	24-Feb-2026	18 213	18 532	
280	Hydro One Inc.	6.930	01-Jun-2032	413	373	
1 369	Hydro One Inc.	6.350	31-Jan-2034	1 825	1 765	
585	Hydro One Inc.	5.360	20-May-2036	711	696	
3 668	Hydro One Inc.	4.890	13-Mar-2037	4 286	4 159	
3 123	Hydro One Inc.	6.030	03-Mar-2039	4 087	4 058	
1 555	Hydro One Inc.	6.590	22-Apr-2043	2 321	2 208	
15 860	Hydro One Inc.	4.590	09-Oct-2043	18 201	17 587	
14 265	Hydro One Inc.	3.630	25-Jun-2049	14 122	13 558	
20 798	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	20 785	20 273	
12 697	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	13 131	12 968	
19 640	Inter Pipeline Ltd.	3.448	20-Jul-2020	19 907	19 790	
8 150	John Deere Canada Funding Inc.	2.700	17-Jan-2023	8 021	8 090	
975	John Deere Canada Funding Inc.	3.020	13-Jul-2023	975	978	
13 075	Kingston Solar LP	3.571	31-Jul-2035	13 075	12 749	
5 365	Loblaw Companies Ltd.	3.918	10-Jun-2024	5 365	5 463	
13 665	Loblaw Companies Ltd.	4.488	11-Dec-2028	13 665	14 094	
14 324	Lower Mattagami Energy LP	4.331	18-May-2021	15 707	14 870	
10 360	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	10 358	10 561	
124	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	124	126	
12 764	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	12 766	12 834	
5 378	Metro Inc.	3.390	06-Dec-2027	5 034	5 150	
5 640	Mosaic Transit Partners GP	4.111	28-Feb-2038	5 640	5 729	
3 500	Mosaic Transit Partners GP	4.470	28-Feb-2053	3 500	3 520	
8 350	Mountain View Partners GP	3.974	31-Mar-2051	8 350	7 967	
1 875	NAV Canada	4.397	18-Feb-2021	1 967	1 945	
11 233	North Battleford Power LP	4.958	31-Dec-2032	11 322	12 312	
10 975	North West Redwater Partnership	2.100	23-Feb-2022	10 614	10 671	
17 048	North West Redwater Partnership	3.200	22-Jul-2024	16 949	17 001	
8 783	North West Redwater Partnership	3.200	24-Apr-2026	8 769	8 657	
17 371	North West Redwater Partnership	2.800	01-Jun-2027	16 863	16 464	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
7 725	North West Redwater Partnership	4.250	01-Jun-2029	\$ 7 745	\$ 8 063	
20 255	North West Redwater Partnership	4.150	01-Jun-2033	20 633	20 688	
8 290	North West Redwater Partnership	3.650	01-Jun-2035	8 247	7 950	
6 529	North West Redwater Partnership	4.750	01-Jun-2037	6 649	7 050	
9 140	North West Redwater Partnership	4.350	10-Jan-2039	9 267	9 381	
10 924	North West Redwater Partnership	4.050	22-Jul-2044	11 205	10 729	
3 963	Northland Power Solar Finance One LP	4.397	30-Jun-2032	3 963	4 123	
11 570	Northwestern Hydro Acquisition Co. Inc.	3.985	31-Dec-2034	11 570	12 016	
10 545	Nouvelle Autoroute 30 Financement Inc.	3.742	31-Dec-2032	10 545	10 698	
10 450	Nouvelle Autoroute 30 Financement Inc.	3.750	31-Mar-2033	10 450	10 674	
6 286	Nova Gas Transmission Ltd.	9.900	16-Dec-2024	9 442	8 415	
3 285	Nova Gas Transmission Ltd.	8.900	27-May-2025	4 969	4 301	
2 625	Nova Gas Transmission Ltd.	8.875	27-May-2026	3 744	3 484	
8 500	Nova Scotia Power Inc.	9.750	02-Aug-2019	11 904	8 838	
13 343	Nova Scotia Power Inc.	8.850	19-May-2025	19 616	17 270	
7 705	OMERS Realty Corp.	2.473	12-Nov-2019	7 705	7 711	
18 285	OMERS Realty Corp.	3.203	24-Jul-2020	18 495	18 459	
32 015	Ontario Power Generation Inc.	3.315	04-Oct-2027	32 122	31 869	
1 387	Ottawa MacDonald-Cartier International Airport Authority	6.973	25-May-2032	1 883	1 750	
2 103	Pembina Pipeline Corp.	3.710	11-Aug-2026	2 049	2 077	
4 628	Plenary Health Hamilton LP	5.796	31-May-2043	5 956	5 606	
9 980	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	10 797	10 915	
8 465	PSS Generating Station LP	4.795	24-Oct-2067	8 465	9 683	
13 850	Ridley Grain Ltd.	5.227	01-Aug-2024	13 850	14 443	
2 000	Rogers Communications Inc.	5.380	04-Nov-2019	2 081	2 045	
6 010	Rogers Communications Inc.	4.700	29-Sep-2020	6 226	6 194	
26 558	Rogers Communications Inc.	5.340	22-Mar-2021	28 232	27 862	
123 855	Royal Bank of Canada*	2.860	04-Mar-2021	123 936	124 321	
67 890	Royal Bank of Canada*	2.030	15-Mar-2021	66 643	66 953	
42 418	Royal Bank of Canada*	1.583	13-Sep-2021	40 950	41 143	
9 583	SEC LP and Arci Ltd.	5.188	29-Aug-2033	9 605	10 022	
2 949	SGTP Highway Bypass LP	4.105	31-Jan-2045	2 949	3 070	
5 235	Sun Life Financial Inc.	2.770	13-May-2024	5 296	5 241	
9 925	Sysco Canada Inc.	3.650	25-Apr-2025	9 921	9 971	
4 002	TELUS Corp.	5.050	23-Jul-2020	4 198	4 139	
3 619	Toronto Hydro Corp.	4.490	12-Nov-2019	3 984	3 684	
12 935	Toronto Hydro Corp.	3.540	18-Nov-2021	13 717	13 260	
33 655	Toronto-Dominion Bank	1.693	02-Apr-2020	33 182	33 329	
75 625	Toronto-Dominion Bank	2.045	08-Mar-2021	74 289	74 663	
52 745	Toronto-Dominion Bank	1.680	08-Jun-2021	51 513	51 671	
47 985	Toronto-Dominion Bank	2.621	22-Dec-2021	47 785	47 810	
34 330	TransAlta OCP LP	4.509	05-Aug-2030	34 331	35 349	
2 500	TransCanada PipeLines Ltd.	8.050	17-Feb-2039	3 761	3 558	
13 453	TransCanada PipeLines Ltd.	4.550	15-Nov-2041	14 131	13 280	
13 602	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	13 723	13 005	
17 980	TransCanada PipeLines Ltd.	4.330	16-Sep-2047	17 771	17 064	
14 060	TransCanada PipeLines Ltd.	4.180	03-Jul-2048	14 069	12 966	
21 990	TransEd Partners GP	3.951	30-Sep-2050	20 339	20 848	
5 000	Union Gas Ltd.	4.850	25-Apr-2022	5 301	5 319	
9 682	Union Gas Ltd.	8.650	10-Nov-2025	13 643	12 836	
3 650	Union Gas Ltd.	2.810	01-Jun-2026	3 572	3 553	
1 243	Union Gas Ltd.	4.200	02-Jun-2044	1 395	1 303	
2 520	Vancouver Airport Authority	3.857	10-Nov-2045	2 812	2 687	
3 710	Vancouver Airport Authority	3.656	23-Nov-2048	3 710	3 820	
4 573	Vancouver Airport Fuel Facilities Corp.	3.653	20-Mar-2051	4 573	4 792	
6 009	Vancouver Fraser Port Authority	4.630	20-Apr-2020	6 815	6 145	
12 750	Wells Fargo Canada Corp.	2.944	25-Jul-2019	12 840	12 790	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
11 926	Westcoast Energy Inc.	5.600	16-Jan-2019	\$ 12 498	\$ 11 937	
3 099	Westcoast Energy Inc.	9.900	10-Jan-2020	3 521	3 316	
14 398	Westcoast Energy Inc.	3.883	28-Oct-2021	15 136	14 742	
1 476	Westcoast Energy Inc.	3.120	05-Dec-2022	1 375	1 479	
4 030	Westcoast Energy Inc.	7.300	18-Dec-2026	4 993	4 989	
3 692	Westcoast Energy Inc.	6.750	15-Dec-2027	4 754	4 497	
1 465	Westcoast Energy Inc.	7.150	20-Mar-2031	1 931	1 858	
4 091	Westcoast Energy Inc.	4.791	28-Oct-2041	4 389	4 222	
4 850	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	4 851	4 910	
5 213	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	5 388	6 495	
4 575	Winnipeg Airport Authority Inc.	3.659	30-Sep-2047	4 575	4 593	
				3 008 737	2 968 459	31.9
FEDERAL						
98 760	Canada Housing Trust No. 1	1.250	15-Jun-2021	98 511	96 904	
71 135	Canada Housing Trust No. 1	3.800	15-Jun-2021	75 205	74 107	
65 066	Canada Housing Trust No. 1	1.150	15-Dec-2021	63 783	63 300	
119 053	Canada Housing Trust No. 1	1.500	15-Dec-2021	118 781	117 007	
53 349	Canada Housing Trust No. 1	2.650	15-Mar-2022	56 880	54 193	
188 361	Canada Housing Trust No. 1	1.750	15-Jun-2022	189 157	185 675	
276 571	Canada Housing Trust No. 1	2.400	15-Dec-2022	279 477	278 359	
139 130	Canada Housing Trust No. 1	2.350	15-Jun-2023	138 724	139 587	
11 628	Canada Housing Trust No. 1	2.900	15-Jun-2024	11 757	11 960	
11 939	Canada Housing Trust No. 1	2.250	15-Dec-2025	12 003	11 818	
8 969	Canada Housing Trust No. 1	1.900	15-Sep-2026	8 705	8 628	
42 062	Canada Housing Trust No. 1	2.350	15-Jun-2027	42 046	41 685	
7 544	Canada Housing Trust No. 1	2.350	15-Mar-2028	7 454	7 448	
40 932	Canada Housing Trust No. 1	2.650	15-Mar-2028	40 842	41 415	
79 999	Canada Housing Trust No. 1	2.650	15-Dec-2028	79 356	80 889	
3 100	CBC Monetization Trust	4.688	15-May-2027	3 133	3 369	
2 145	Government of Canada	1.750	01-Sep-2019	2 143	2 145	
420	Government of Canada	1.500	01-Mar-2020	416	418	
9 615	Government of Canada	1.750	01-May-2020	9 587	9 605	
14	Government of Canada	3.500	01-Jun-2020	15	14	
50 712	Government of Canada	2.250	01-Feb-2021	50 663	51 107	
64 649	Government of Canada	0.750	01-Mar-2021	62 948	63 132	
107 392	Government of Canada	3.250	01-Jun-2021	114 817	110 880	
35 381	Government of Canada	0.750	01-Sep-2021	34 008	34 362	
12 930	Government of Canada	0.500	01-Mar-2022	12 228	12 387	
3 400	Government of Canada	2.750	01-Jun-2022	3 473	3 497	
670	Government of Canada	1.000	01-Sep-2022	639	648	
62 364	Government of Canada	1.500	01-Jun-2023	60 901	61 357	
124 645	Government of Canada	2.000	01-Sep-2023	122 887	125 289	
2 183	Government of Canada	2.500	01-Jun-2024	2 232	2 249	
8 450	Government of Canada	1.500	01-Jun-2026	8 140	8 198	
142 320	Government of Canada	1.000	01-Jun-2027	126 848	131 932	
5 500	Government of Canada	2.000	01-Jun-2028	5 468	5 517	
13 630	Government of Canada	5.750	01-Jun-2033	18 884	19 850	
11 886	Government of Canada	1.250	01-Dec-2047	14 024	13 394	
348 663	Government of Canada	2.750	01-Dec-2048	381 804	392 084	
37 494	Government of Canada	0.500	01-Dec-2050	36 182	34 722	
38 950	Government of Canada	2.000	01-Dec-2051	36 620	37 272	
				2 330 741	2 336 403	25.1
PROVINCIAL/MUNICIPAL						
5 000	City of Montreal	3.500	01-Sep-2024	5 206	5 192	
790	City of Montreal	2.750	01-Sep-2026	789	779	
11 295	City of Montreal	3.000	01-Sep-2027	11 069	11 278	
42 302	City of Montreal	3.150	01-Sep-2028	42 063	42 563	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
1 286	City of Ottawa	4.462	18-Jul-2025	\$ 1 416	\$ 1 356	
1 040	City of Ottawa	4.990	28-Aug-2026	1 179	1 122	
13 200	City of Toronto	3.500	06-Dec-2021	13 725	13 621	
11 740	City of Toronto	3.500	02-Jun-2036	11 646	11 848	
5 050	First Nations Finance Authority	3.400	26-Jun-2024	5 209	5 213	
16 599	First Nations Finance Authority	3.050	01-Jun-2028	16 415	16 589	
12 322	Hospital for Sick Children	5.217	16-Dec-2049	13 599	15 926	
11 240	Hospital for Sick Children	3.416	07-Dec-2057	11 240	10 864	
5 060	McGill University	6.150	22-Sep-2042	7 020	7 047	
5 000	Municipal Finance Authority of British Columbia	3.750	26-Sep-2023	5 241	5 269	
33 717	Ontario Electricity Financial Corp.	8.500	26-May-2025	48 025	44 993	
57 493	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	79 547	78 299	
16 908	Ontario School Boards Financing Corp.	5.900	11-Oct-2027	19 946	19 045	
13 615	OPB Finance Trust	2.980	25-Jan-2027	13 616	13 651	
74 422	Province of Alberta	2.200	01-Jun-2026	71 128	71 606	
7 736	Province of Alberta	3.900	01-Dec-2033	8 452	8 407	
29 955	Province of Alberta	3.450	01-Dec-2043	33 305	30 734	
72 488	Province of Alberta	3.300	01-Dec-2046	75 733	72 449	
7 778	Province of Manitoba	4.050	05-Sep-2045	8 498	8 720	
92 922	Province of Manitoba	2.850	05-Sep-2046	85 560	84 459	
10 350	Province of New Brunswick	3.650	03-Jun-2024	11 484	10 892	
19 710	Province of New Brunswick	4.800	26-Sep-2039	25 638	23 832	
7 865	Province of New Brunswick	4.800	03-Jun-2041	9 525	9 576	
14 909	Province of New Brunswick	3.550	03-Jun-2043	14 436	15 230	
35 992	Province of New Brunswick	3.800	14-Aug-2045	38 406	38 380	
31 031	Province of Newfoundland and Labrador	3.300	17-Oct-2046	29 066	29 985	
18 811	Province of Ontario	3.150	02-Jun-2022	19 459	19 313	
14 334	Province of Ontario	2.850	02-Jun-2023	15 303	14 569	
72 446	Province of Ontario	2.600	08-Sep-2023	72 421	72 860	
141 090	Province of Ontario	3.500	02-Jun-2024	156 264	147 861	
87 030	Province of Ontario	2.600	02-Jun-2025	87 010	86 872	
91 874	Province of Ontario	8.500	02-Dec-2025	137 018	124 971	
33 120	Province of Ontario	2.400	02-Jun-2026	32 422	32 434	
79 384	Province of Ontario	2.600	02-Jun-2027	77 079	78 304	
56 401	Province of Ontario	2.900	02-Jun-2028	55 305	56 771	
190 837	Province of Ontario	6.200	02-Jun-2031	268 053	254 942	
166 825	Province of Ontario	5.600	02-Jun-2035	229 807	219 705	
3 508	Province of Ontario	4.700	02-Jun-2037	4 445	4 263	
163 682	Province of Ontario	4.600	02-Jun-2039	212 284	198 708	
2 110	Province of Ontario	4.650	02-Jun-2041	2 671	2 598	
211 912	Province of Ontario	3.500	02-Jun-2043	224 609	222 489	
10 360	Province of Ontario	3.450	02-Jun-2045	10 907	10 812	
63 864	Province of Ontario	2.900	02-Dec-2046	62 023	60 274	
7 821	Province of Ontario	2.800	02-Jun-2048	7 336	7 249	
178 147	Province of Ontario	2.900	02-Jun-2049	170 826	168 736	
45 077	Province of Quebec	9.375	16-Jan-2023	68 215	57 082	
1 600	Province of Quebec	3.000	01-Sep-2023	1 639	1 639	
17 146	Province of Quebec	2.750	01-Sep-2025	17 142	17 299	
83 615	Province of Quebec	8.500	01-Apr-2026	128 998	115 179	
475	Province of Quebec	2.500	01-Sep-2026	475	469	
47 161	Province of Quebec	2.750	01-Sep-2027	47 238	47 230	
25 723	Province of Quebec	2.750	01-Sep-2028	25 217	25 685	
60 063	Province of Quebec	6.000	01-Oct-2029	79 002	77 390	
5 925	Province of Quebec	5.750	01-Dec-2036	8 074	8 082	
4 571	Province of Quebec	5.000	01-Dec-2041	5 924	5 954	
12 775	Province of Quebec	3.500	01-Dec-2045	13 996	13 581	
22 850	Province of Quebec	3.500	01-Dec-2048	24 969	24 470	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
16 187	Province of Saskatchewan	2.550	02-Jun-2026	\$ 16 267	\$ 15 982	
7 761	Province of Saskatchewan	6.400	05-Sep-2031	11 432	10 514	
22 439	Province of Saskatchewan	3.900	02-Jun-2045	27 375	24 903	
28 328	Province of Saskatchewan	2.750	02-Dec-2046	27 577	25 605	
5 990	Trillium Health Partners Volunteers	3.702	20-Dec-2058	5 990	5 965	
7 829	University of British Columbia	6.650	01-Dec-2031	10 481	10 467	
6 500	University of British Columbia	4.817	26-Jul-2035	7 638	7 609	
8 685	University of Toronto	4.937	16-Nov-2045	11 067	10 659	
31 712	York Region District School Board	5.531	13-May-2026	35 356	34 766	
8 804	York Region District School Board	4.616	21-Jun-2027	9 521	9 393	
3 050	York University	5.841	04-May-2044	4 196	4 135	
				3 151 213	3 046 714	32.7
TOTAL CANADIAN BONDS				8 490 691	8 351 576	89.7
UNITED KINGDOM BONDS						
24 400	BAA Funding Ltd. CAD	4.000	03-Jul-2019	24 682	24 607	
1 190	Heathrow Funding Ltd. CAD	3.000	17-Jun-2021	1 199	1 191	
15 539	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	15 595	15 608	
TOTAL UNITED KINGDOM BONDS				41 476	41 406	0.4
UNITED STATES BONDS						
28 720	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	27 724	27 284	
2 179	AT&T Inc. CAD	3.825	25-Nov-2020	2 206	2 212	
51 700	AT&T Inc. CAD	4.000	25-Nov-2025	51 585	51 548	
24 750	AT&T Inc. CAD	5.100	25-Nov-2048	24 623	23 945	
10 300	John Deere Financial Inc.	3.070	23-Jul-2021	10 297	10 378	
15 000	JPMorgan Chase & Co. CAD	3.190	05-Mar-2021	15 057	15 119	
18 036	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	17 532	18 018	
26 850	Molson Coors International LP CAD	2.750	18-Sep-2020	26 695	26 717	
8 350	The Walt Disney Co. CAD	2.758	07-Oct-2024	8 244	8 219	
28 170	United Parcel Service Inc. CAD	2.125	21-May-2024	28 046	26 868	
19 060	United States Treasury	3.125	15-May-2048	25 826	26 539	
44 926	Wells Fargo & Co. CAD	2.222	15-Mar-2021	44 113	44 189	
TOTAL UNITED STATES BONDS				281 948	281 036	3.0
TOTAL BONDS				8 814 115	8 674 018	93.1
MORTGAGE-BACKED SECURITIES						
3 573	Peoples Trust	4.200	01-Oct-2019	3 600	3 625	
TOTAL MORTGAGE-BACKED SECURITIES				3 600	3 625	—
MORTGAGES						
CMHC Insured						
54	5.040% Jan 01, 2019			54	54	
22 067	5.040% Apr 01, 2019			22 067	22 067	
458	2.980% Jul 01, 2019			458	459	
1 853	4.860% Jun 05, 2020			1 879	1 910	
3 566	4.260% Nov 01, 2022			3 566	3 750	
7 941	3.160% Sep 05, 2024			7 951	7 866	
TOTAL MORTGAGES				35 975	36 106	0.4

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



December 31, 2018

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS[†]				
20 000	Alectra Inc.	\$ 19 972	\$ 19 972	
45 000	Bank of Montreal	44 937	44 937	
28 275	Bank of Nova Scotia	28 247	28 247	
19 825	Banner Trust	19 785	19 785	
21 800	Canadian Utilities Ltd.	21 765	21 765	
27 250	Caterpillar Financial Services Ltd.	27 217	27 217	
10 000	Central 1 Credit Union	9 979	9 979	
550	Clarity Trust	549	549	
21 800	Enbridge Pipelines Inc.	21 754	21 754	
6 000	FortisBC Energy Inc.	5 992	5 992	
11 175	Greater Toronto Airports Authority	11 154	11 154	
50 000	HSBC Bank Canada	49 918	49 918	
87 125	Hydro One Inc.	86 945	86 945	
9 200	Inter Pipeline Corridor Inc.	9 183	9 183	
36 895	Merit Trust - Senior Notes	36 860	36 860	
10 850	National Bank of Canada	10 830	10 830	
3 900	Nova Scotia Power Inc.	3 892	3 892	
21 250	Prime Trust - Senior Notes	21 236	21 236	
55 825	SAFE Trust - Series 1996-1	55 681	55 681	
27 375	STABLE Trust	27 324	27 324	
39 405	SURE Trust	39 327	39 327	
7 625	TMX Group Ltd.	7 611	7 611	
TOTAL SHORT-TERM INVESTMENTS		560 158	560 158	6.0
TOTAL INVESTMENTS		9 413 848	9 273 907	99.5
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(490)	—
TOTAL PORTFOLIO		\$ 9 413 848	9 273 417	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			45 366	0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 9 318 783	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought CAD 21 147 Sold USD 15 876 @ 1.3320	15-Mar-2019	\$ (490)
TOTAL FOREIGN EXCHANGE		\$ (490)

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.97% to 2.27% and mature between January 3, 2019 and March 21, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 9 273 907	\$ 9 695 057
Cash	7 162	12 668
Due from investment dealers	13 867	—
Subscriptions receivable	1 957	6 242
Dividends receivable, interest accrued and other assets	46 438	43 803
TOTAL ASSETS	9 343 331	9 757 770
LIABILITIES		
Due to investment dealers	12 893	—
Redemptions payable	10 643	13 196
Unrealized loss on foreign exchange contracts	490	—
Accounts payable and accrued expenses	522	602
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	24 548	13 798
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 9 318 783	\$ 9 743 972
Investments at cost	\$ 9 413 848	\$ 9 801 579
NAV		
SERIES A	\$ 60 323	\$ 80 316
ADVISOR SERIES	\$ 28 621	\$ 38 041
SERIES D	\$ 483 795	\$ 548 269
SERIES F	\$ 67 107	\$ 94 337
SERIES O	\$ 8 678 937	\$ 8 983 009
NAV PER UNIT		
SERIES A	\$ 10.11	\$ 10.27
ADVISOR SERIES	\$ 10.12	\$ 10.28
SERIES D	\$ 10.02	\$ 10.19
SERIES F	\$ 10.07	\$ 10.24
SERIES O	\$ 10.04	\$ 10.20

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 295 906	\$ 296 929
Derivative income	(160)	4 775
Net realized gain (loss) on investments	(124 149)	(59 472)
Change in unrealized gain (loss) on investments	(33 909)	22 160
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	137 688	264 392
Securities lending revenue (see note 7 in the generic notes)	1 176	69
Net gain (loss) on foreign cash balances	1 229	1 211
TOTAL OTHER INCOME (LOSS)	2 405	1 280
TOTAL INCOME (LOSS)	140 093	265 672
EXPENSES (see notes – Fund Specific Information)		
Management fees	3 767	4 488
Administration fees	2 118	2 229
Independent Review Committee costs	2	3
GST/HST	608	688
TOTAL EXPENSES	6 495	7 408
INCREASE (DECREASE) IN NAV	\$ 133 598	\$ 258 264
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 135	\$ 1 528
ADVISOR SERIES	\$ 59	\$ 701
SERIES D	\$ 4 022	\$ 11 817
SERIES F	\$ 551	\$ 2 142
SERIES O	\$ 128 831	\$ 242 076
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.02	\$ 0.17
ADVISOR SERIES	\$ 0.02	\$ 0.17
SERIES D	\$ 0.08	\$ 0.21
SERIES F	\$ 0.07	\$ 0.22
SERIES O	\$ 0.15	\$ 0.27



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 133 598	\$ 258 264
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	(398)
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	124 149	59 472
Change in unrealized loss (gain) on investments	33 909	(22 160)
(Increase) decrease in accrued receivables	(2 635)	8 036
Increase (decrease) in accrued payables	(80)	(62)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(17 879 484)	(14 825 508)
Proceeds from sale and maturity of investments	18 142 092	15 459 625
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	551 549	937 269
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 604 127	1 516 392
Cash paid on redemption of redeemable units	(2 155 322)	(2 444 793)
Distributions paid to holders of redeemable units	(5 860)	(7 342)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (557 055)	\$ (935 743)
Net increase (decrease) in cash for the period	(5 506)	1 526
Cash (bank overdraft), beginning of period	12 668	11 142
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 7 162	\$ 12 668
Interest received (paid)	\$ 293 271	\$ 304 567
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 80 316	\$ 101 217	\$ 38 041	\$ 46 859	\$ 548 269	\$ 600 761	\$ 94 337	\$ 104 591
INCREASE (DECREASE) IN NAV	135	1 528	59	701	4 022	11 817	551	2 142
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	2 183	3 780	2 542	4 783	21 857	23 330	10 779	15 181
Reinvestments of distributions to holders of redeemable units	1 321	1 694	600	744	11 791	13 151	1 756	2 081
Redemption of redeemable units	(22 234)	(26 113)	(11 963)	(14 227)	(89 543)	(86 827)	(38 145)	(27 062)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(18 730)	(20 639)	(8 821)	(8 700)	(55 895)	(50 346)	(25 610)	(9 800)
Distributions from net income	(1 398)	(1 790)	(658)	(819)	(12 601)	(13 963)	(2 171)	(2 596)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 398)	(1 790)	(658)	(819)	(12 601)	(13 963)	(2 171)	(2 596)
NET INCREASE (DECREASE) IN NAV	(19 993)	(20 901)	(9 420)	(8 818)	(64 474)	(52 492)	(27 230)	(10 254)
NAV AT END OF PERIOD	\$ 60 323	\$ 80 316	\$ 28 621	\$ 38 041	\$ 483 795	\$ 548 269	\$ 67 107	\$ 94 337

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 8 983 009	\$ 9 531 479	\$ 9 743 972	\$ 10 384 907
INCREASE (DECREASE) IN NAV	128 831	242 076	133 598	258 264
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 581 142	1 475 652	1 618 503	1 522 726
Reinvestments of distributions to holders of redeemable units	269 788	264 645	285 256	282 315
Redemption of redeemable units	(2 009 545)	(2 260 354)	(2 171 430)	(2 414 583)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(158 615)	(520 057)	(267 671)	(609 542)
Distributions from net income	(274 288)	(270 489)	(291 116)	(289 657)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(274 288)	(270 489)	(291 116)	(289 657)
NET INCREASE (DECREASE) IN NAV	(304 072)	(548 470)	(425 189)	(640 935)
NAV AT END OF PERIOD	\$ 8 678 937	\$ 8 983 009	\$ 9 318 783	\$ 9 743 972

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



December 31, 2018

The Fund was closed to new investors effective July 4, 2016 and reopened to new investors effective March 8, 2019.

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
AAA	27.8	44.8
AA	38.5	28.9
A	18.5	15.8
BBB	14.2	9.3
BB	0.4	0.5
Unrated*	0.6	0.7
Total	100.0	100.0

* Mortgages, which represent 71.2% (December 31, 2017 – 84.0%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. As at December 31, 2018 and 2017, there were no mortgage payments in arrears for more than 90 days.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Corporate Bonds	35.3	25.6
Provincial Bonds	31.8	29.0
Federal Bonds	25.1	40.0
Municipal Bonds	0.9	1.8
Mortgages	0.4	0.6
Mortgage-Backed Bonds	–	0.1
Cash/Other	6.5	2.9
Total	100.0	100.0

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	3.5	2.8
1 – 5 years	37.3	37.0
5 – 10 years	24.0	29.3
> 10 years	35.2	30.9
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.3% (December 31, 2017 – 7.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	8 677 643	36 106	8 713 749
Short-term investments	–	560 158	–	560 158
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(490)	–	(490)
Total financial instruments	–	9 237 311	36 106	9 273 417
% of total portfolio	–	99.6	0.4	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	9 405 140	58 300	9 463 440
Short-term investments	–	231 617	–	231 617
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	9 636 757	58 300	9 695 057
% of total portfolio	–	99.4	0.6	100.0



December 31, 2018

During the periods ended December 31, 2018 and 2017, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2018	December 31 2017
Balance at beginning of period	58 300	53 788
Net purchases	42 812	28 609
Net sales	(64 333)	(22 128)
Net transfers in (out)	–	–
Realized gains (losses)	(147)	(5)
Change in unrealized gains (losses)	(526)	(1 964)
Balance at end of period	36 106	58 300
Change in unrealized gains (losses) for Level 3 assets held at end of period	(668)	(1 964)

The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at December 31, 2018, a 10% increase or decrease in the weighted average spread premium of 0.98% (December 31, 2017 – 0.97%), an unobservable input, would have increased or decreased the Fund's NAV respectively by approximately 0.0% (December 31, 2017 – 0.0%).

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series D	0.50%*	0.05%
Series F	0.40%	0.05%
Series O	n/a [†]	0.02%

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

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

[†] Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	61	60
Advisor Series	122	120
Series D	11	11
Series F	64	63
Value of all units	3	3

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	183 286
Non-capital losses	–



December 31, 2018

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
--	------	------

Series A

Opening units	7 818	9 809
Issued number of units	216	365
Reinvested number of units	130	164
Redeemed number of units	(2 197)	(2 520)
Ending number of units	5 967	7 818

Advisor Series

Opening units	3 701	4 539
Issued number of units	251	461
Reinvested number of units	59	72
Redeemed number of units	(1 182)	(1 371)
Ending number of units	2 829	3 701

Series D

Opening units	53 814	58 716
Issued number of units	2 182	2 270
Reinvested number of units	1 173	1 288
Redeemed number of units	(8 907)	(8 460)
Ending number of units	48 262	53 814

Series F

Opening units	9 215	10 172
Issued number of units	1 067	1 464
Reinvested number of units	174	203
Redeemed number of units	(3 793)	(2 624)
Ending number of units	6 663	9 215

Series O

Opening units	880 544	930 497
Issued number of units	157 288	143 617
Reinvested number of units	26 815	25 885
Redeemed number of units	(200 059)	(219 455)
Ending number of units	864 588	880 544

Securities lending revenue (\$000s except %) (see note 7 in the generic notes)

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

	December 31 2018	December 31 2017
Fair value of securities loaned	1 654 430	1 239 300
Fair value of collateral received	1 692 384	1 264 832

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	1 568	100	92	100
RBC IS (paid)	(392)	(25)	(23)	(25)
Tax withheld	—	—	—	—
Fund revenue	1 176	75	69	75

Investments by other related investment funds (%) (see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
BonaVista Balanced Fund	0.1	0.1
BonaVista Private Balanced Fund	0.1	0.1
Phillips, Hager & North Balanced Fund	3.9	3.6
Phillips, Hager & North Balanced Pension Trust	4.9	4.8
Phillips, Hager & North LifeTime 2015 Fund	—	—
Phillips, Hager & North LifeTime 2020 Fund	—	—
RBC Select Conservative Portfolio	0.4	0.8
RBC Select Very Conservative Portfolio	18.8	19.0
Total	28.2	28.4

Offsetting financial assets and liabilities (\$000s) (see note 3 in the generic notes)

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	—	(490)
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	—	(490)
Related amounts not set-off	—	—
Collateral (received) pledged	—	—
Net amount	—	(490)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	—	—
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	—	—
Related amounts not set-off	—	—
Collateral (received) pledged	—	—
Net amount	—	—



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
158 476	Phillips, Hager & North High Yield Bond Fund*	\$ 1 744	\$ 1 739	
86 685	RBC High Yield Bond Fund*	905	877	
TOTAL UNDERLYING FUNDS		2 649	2 616	—

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
CORPORATE						
8 282	Access Justice Durham Ltd.	5.015	31-Aug-2039	\$ 9 183	\$ 9 354	
5 336	Access Prairies Partnership	4.232	01-Mar-2048	5 336	5 468	
3 285	Access Roads Edmonton Ltd.	5.669	30-Sep-2037	3 885	3 833	
5 370	Aéroports de Montréal	6.950	16-Apr-2032	7 260	6 851	
627	Aéroports de Montréal	6.611	11-Apr-2033	650	796	
3 645	Aéroports de Montréal	6.550	11-Oct-2033	5 023	4 942	
2 570	Aéroports de Montréal	5.170	17-Sep-2035	3 371	3 108	
6 651	Aéroports de Montréal	5.670	16-Oct-2037	9 106	8 640	
1 080	Aéroports de Montréal	3.919	26-Sep-2042	1 210	1 139	
5 920	Aéroports de Montréal	3.918	12-Jun-2045	6 481	6 248	
10 645	Aéroports de Montréal	3.360	24-Apr-2047	10 755	10 234	
23 222	Alberta Powerline LP	3.340	01-Jun-2032	23 222	23 155	
23 207	Alberta Powerline LP	3.351	01-Sep-2032	23 207	23 156	
9 355	Alectra Inc.	4.521	29-Apr-2021	9 892	9 756	
2 050	Alliance Pipeline LP	4.928	16-Dec-2019	2 213	2 089	
13 045	Alliance Pipeline LP	7.181	30-Jun-2023	15 692	14 459	
1 466	Alliance Pipeline LP	5.546	31-Dec-2023	1 632	1 525	
13 085	Alliance Pipeline LP	6.765	31-Dec-2025	15 215	14 848	
8 930	Alliance Pipeline LP	7.217	31-Dec-2025	10 713	10 336	
30 112	AltaLink Investments LP	3.674	05-Jun-2019	30 898	30 178	
17 271	AltaLink Investments LP	3.265	05-Jun-2020	17 576	17 411	
17 887	AltaLink Investments LP	2.244	07-Mar-2022	17 908	17 569	
27 351	Bank of Montreal	2.840	04-Jun-2020	27 505	27 466	
18 635	Bank of Montreal	2.100	06-Oct-2020	18 363	18 474	
17 410	Bank of Montreal	1.880	31-Mar-2021	17 017	17 108	
54 145	Bank of Montreal	3.400	23-Apr-2021	54 935	54 991	
61 420	Bank of Montreal	1.610	28-Oct-2021	59 222	59 535	
1 000	Bank of Montreal	2.700	09-Dec-2026	956	972	
4 220	BC Tel	9.650	08-Apr-2022	5 700	5 028	
25 612	Bell Canada	3.540	12-Jun-2020	26 233	25 890	
6 636	Bell Canada	3.250	17-Jun-2020	6 713	6 681	
22 975	Bell Canada	4.950	19-May-2021	24 248	24 003	
1 150	Bell Canada	3.150	29-Sep-2021	1 150	1 153	
18 165	Bell Canada	2.000	01-Oct-2021	17 550	17 665	
12 005	Bell Canada	2.700	27-Feb-2024	11 503	11 592	
1 340	Bell Canada	3.550	02-Mar-2026	1 315	1 331	
3 535	Bell Canada	2.900	12-Aug-2026	3 305	3 345	
5 805	Bell Canada	3.600	29-Sep-2027	5 615	5 711	
5 725	Bow Centre Street LP	3.690	14-Jun-2021	5 731	5 677	
3 910	Bow Centre Street LP	3.693	14-Jun-2022	3 915	3 854	
17 010	Bow Centre Street LP	3.797	13-Jun-2023	16 874	16 680	
14 170	Bridging North America GP	4.023	31-May-2038	14 333	14 957	
7 625	Brookfield Asset Management Inc.	3.950	09-Apr-2019	7 718	7 656	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
3 786	Brookfield Asset Management Inc.	5.040	08-Mar-2024	\$ 3 999	\$ 3 992	
21 072	Brookfield Asset Management Inc.	4.820	28-Jan-2026	21 985	21 901	
21 029	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	21 315	21 245	
22 150	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	21 971	22 156	
43 720	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	46 461	45 249	
2 731	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	2 928	2 834	
11 174	Bruce Power LP	2.844	23-Jun-2021	11 350	11 134	
5 405	Bruce Power LP	3.000	21-Jun-2024	5 404	5 294	
22 540	Bruce Power LP	3.969	23-Jun-2026	22 772	22 948	
7 995	Bruce Power LP	4.010	21-Jun-2029	7 995	8 027	
9 445	Bruce Power LP	4.132	21-Jun-2033	9 472	9 218	
24 922	Cameco Corp.	5.670	02-Sep-2019	26 234	25 374	
24 023	Cameco Corp.	3.750	14-Nov-2022	23 976	23 888	
25 885	Cameco Corp.	4.190	24-Jun-2024	26 174	25 843	
19 450	Canadian Imperial Bank of Commerce	1.660	20-Jan-2020	19 219	19 297	
18 750	Canadian Imperial Bank of Commerce	1.900	26-Apr-2021	18 337	18 411	
2 153	Canadian Utilities Ltd.	9.400	01-May-2023	2 820	2 711	
10 990	Clover LP	4.216	30-Jun-2034	10 990	11 450	
10 709	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	10 905	10 773	
25 708	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	25 878	25 775	
23 179	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	24 242	23 549	
1 559	Cominar Real Estate Investment Trust	4.000	02-Nov-2020	1 578	1 558	
5 273	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	5 358	5 248	
9 677	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	9 656	9 569	
2 945	CT Real Estate Investment Trust	3.527	09-Jun-2025	2 844	2 891	
2 370	CU Inc.	11.770	30-Nov-2020	3 527	2 765	
4 315	CU Inc.	9.920	01-Apr-2022	6 292	5 247	
9 310	CU Inc.	6.215	06-Mar-2024	11 575	10 787	
2 170	CU Inc.	5.563	26-May-2028	2 641	2 573	
2 085	CU Inc.	5.032	20-Nov-2036	2 423	2 423	
203	CU Inc.	5.556	30-Oct-2037	255	252	
2 335	CU Inc.	5.580	26-May-2038	3 081	2 897	
7 870	CU Inc.	3.950	23-Nov-2048	7 870	8 027	
4 865	CU Inc.	4.947	18-Nov-2050	5 567	5 802	
676	CU Inc.	4.558	07-Nov-2053	743	758	
5 275	CU Inc.	4.094	19-Oct-2054	5 275	5 452	
4 223	Dufferin Wind Power Inc.	4.317	30-Nov-2033	4 224	4 283	
4 920	Ellisdon Infrastructure RIH General Partnership	3.930	31-Oct-2038	4 920	5 020	
21 858	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	22 884	22 414	
2 018	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	2 245	2 133	
11 140	Enbridge Gas Distribution Inc.	3.150	22-Aug-2024	11 231	11 203	
8 535	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	8 532	8 618	
5 795	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	5 788	5 524	
8 762	Enbridge Gas Distribution Inc.	6.650	03-Nov-2027	11 074	10 797	
1 940	Enbridge Gas Distribution Inc.	6.100	19-May-2028	2 456	2 328	
7 287	Enbridge Gas Distribution Inc.	6.900	15-Nov-2032	9 929	9 768	
1 095	Enbridge Gas Distribution Inc.	6.160	16-Dec-2033	1 476	1 394	
10 135	Enbridge Inc.	4.100	22-Feb-2019	10 158	10 068	
13 957	Enbridge Inc.	4.770	02-Sep-2019	14 979	14 157	
15 123	Enbridge Inc.	4.260	01-Feb-2021	15 805	15 493	
935	Enbridge Pipelines Inc.	4.490	12-Nov-2019	962	952	
36 000	Enbridge Pipelines Inc.	4.450	06-Apr-2020	36 784	36 766	
5 531	Enbridge Pipelines Inc.	2.930	30-Nov-2022	5 601	5 520	
83	Enbridge Pipelines Inc.	3.790	17-Aug-2023	89	85	
1 445	Enbridge Pipelines Inc.	6.350	17-Nov-2023	1 732	1 638	
22 000	Enbridge Pipelines Inc.	8.200	15-Feb-2024	30 969	26 924	
39 894	Enbridge Pipelines Inc.	3.450	29-Sep-2025	40 602	39 971	
4 435	Enbridge Pipelines Inc.	6.050	12-Feb-2029	5 733	5 176	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 200	Enbridge Pipelines Inc.	6.500	11-Jun-2029	\$ 1 619	\$ 1 442	
11 110	Enbridge Pipelines Inc.	5.350	10-Nov-2039	13 498	12 306	
2 280	Enbridge Pipelines Inc.	5.330	06-Apr-2040	2 673	2 527	
4 745	Enbridge Pipelines Inc.	4.550	29-Sep-2045	4 908	4 755	
1 197	Enbridge Pipelines Inc.	4.130	09-Aug-2046	1 185	1 122	
15 744	Enbridge Southern Lights LP	4.014	30-Jun-2040	15 767	15 542	
6 470	Enwave Energy Corp.	3.943	07-Dec-2037	6 470	6 137	
6 555	Fair Hydro Trust	3.357	15-May-2033	6 555	6 647	
8 750	Fair Hydro Trust	3.520	15-May-2038	8 750	8 941	
18 765	Fortis Inc.	2.850	12-Dec-2023	18 504	18 505	
2 348	Fortis Inc.	6.510	04-Jul-2039	3 132	3 044	
1 422	FortisBC Energy Inc.	6.000	02-Oct-2037	1 855	1 854	
1 594	FortisBC Energy Inc.	5.800	13-May-2038	2 092	2 037	
1 230	FortisBC Energy Inc.	3.850	07-Dec-2048	1 233	1 246	
2 379	FortisBC Inc.	5.000	24-Nov-2050	2 928	2 850	
5 205	Gaz Metro Inc.	4.930	18-Jun-2019	5 852	5 267	
5 824	Grand Renewable Solar LP	3.926	31-Jan-2035	5 824	5 836	
16 586	Greater Toronto Airports Authority	6.450	03-Dec-2027	22 002	21 050	
2 012	Greater Toronto Airports Authority	6.450	30-Jul-2029	2 483	2 390	
4 695	Greater Toronto Airports Authority	7.050	12-Jun-2030	6 692	6 381	
12 367	Greater Toronto Airports Authority	7.100	04-Jun-2031	17 962	17 060	
8 786	Greater Toronto Airports Authority	6.980	15-Oct-2032	12 668	12 234	
1 797	Greater Toronto Airports Authority	6.470	02-Feb-2034	2 598	2 418	
5 425	Greater Toronto Airports Authority	3.260	01-Jun-2037	5 421	5 256	
4 700	Greater Toronto Airports Authority	5.630	07-Jun-2040	6 306	6 153	
4 785	Greater Toronto Airports Authority	5.300	25-Feb-2041	6 364	6 037	
6 010	Greater Toronto Airports Authority	4.530	02-Dec-2041	7 298	6 918	
27 749	H2O Power LP	3.310	30-Nov-2029	27 749	26 688	
5 743	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	6 604	6 750	
30 600	Hydro One Inc.	1.480	18-Nov-2019	30 222	30 370	
8 330	Hydro One Inc.	1.620	30-Apr-2020	8 221	8 231	
23 735	Hydro One Inc.	4.400	01-Jun-2020	24 328	24 332	
4 935	Hydro One Inc.	1.840	24-Feb-2021	4 814	4 850	
13 495	Hydro One Inc.	2.570	25-Jun-2021	13 451	13 452	
8 515	Hydro One Inc.	2.970	26-Jun-2025	8 512	8 441	
16 763	Hydro One Inc.	2.770	24-Feb-2026	16 090	16 328	
8 925	Hydro One Inc.	6.930	01-Jun-2032	12 818	11 876	
3 765	Hydro One Inc.	6.350	31-Jan-2034	4 997	4 855	
5 895	Hydro One Inc.	5.360	20-May-2036	7 327	7 017	
2 937	Hydro One Inc.	6.030	03-Mar-2039	4 058	3 816	
2 215	Hydro One Inc.	5.490	16-Jul-2040	2 681	2 728	
2 510	Hydro One Inc.	6.590	22-Apr-2043	3 614	3 564	
4 605	Hydro One Inc.	4.590	09-Oct-2043	5 151	5 106	
10 850	Hydro One Inc.	4.170	06-Jun-2044	11 427	11 307	
833	Hydro One Inc.	5.000	19-Oct-2046	1 047	990	
2 820	Hydro One Inc.	3.790	31-Jul-2062	2 937	2 699	
10 588	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	10 588	10 320	
1 100	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	1 219	1 123	
20 200	Inter Pipeline Ltd.	3.448	20-Jul-2020	20 474	20 354	
10 000	John Deere Canada Funding Inc.	1.850	24-Mar-2021	9 760	9 811	
7 350	John Deere Canada Funding Inc.	2.700	17-Jan-2023	7 234	7 296	
10 607	Kingston Solar LP	3.571	31-Jul-2035	10 607	10 343	
4 805	Loblaw Companies Ltd.	3.918	10-Jun-2024	4 805	4 893	
12 235	Loblaw Companies Ltd.	4.488	11-Dec-2028	12 235	12 619	
2 570	Lower Mattagami Energy LP	4.331	18-May-2021	2 700	2 668	
8 639	Lower Mattagami Energy LP	2.307	21-Oct-2026	8 193	8 171	
3 390	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	3 389	3 456	
78	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	78	79	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
10 618	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	\$ 10 619	\$ 10 676	
5 140	Metro Inc.	3.390	06-Dec-2027	4 811	4 922	
5 175	Mosaic Transit Partners GP	4.111	28-Feb-2038	5 175	5 256	
3 205	Mosaic Transit Partners GP	4.470	28-Feb-2053	3 205	3 223	
6 855	Mountain View Partners GP	3.974	31-Mar-2051	6 855	6 541	
1 705	NAV Canada	4.397	18-Feb-2021	1 788	1 769	
7 609	North Battleford Power LP	4.958	31-Dec-2032	7 940	8 340	
4 785	North West Redwater Partnership	2.100	23-Feb-2022	4 630	4 652	
7 655	North West Redwater Partnership	3.200	22-Jul-2024	7 560	7 634	
7 207	North West Redwater Partnership	3.200	24-Apr-2026	7 116	7 104	
11 165	North West Redwater Partnership	2.800	01-Jun-2027	10 995	10 582	
15 080	North West Redwater Partnership	4.250	01-Jun-2029	15 098	15 740	
12 965	North West Redwater Partnership	4.150	01-Jun-2033	12 948	13 242	
5 825	North West Redwater Partnership	3.650	01-Jun-2035	5 821	5 586	
19 963	North West Redwater Partnership	4.750	01-Jun-2037	20 487	21 557	
8 230	North West Redwater Partnership	4.350	10-Jan-2039	8 291	8 447	
3 420	North West Redwater Partnership	4.050	22-Jul-2044	3 515	3 359	
3 605	Northland Power Solar Finance One LP	4.397	30-Jun-2032	3 605	3 751	
10 495	Northwestern Hydro Acquisition Co. Inc.	3.985	31-Dec-2034	10 495	10 900	
10 645	Nouvelle Autoroute 30 Financement Inc.	3.742	31-Dec-2032	10 665	10 799	
8 525	Nouvelle Autoroute 30 Financement Inc.	3.750	31-Mar-2033	8 525	8 708	
2 375	Nova Gas Transmission Ltd.	8.875	27-May-2026	3 388	3 152	
3 030	Nova Scotia Power Inc.	9.750	02-Aug-2019	4 014	3 150	
9 812	Nova Scotia Power Inc.	8.850	19-May-2025	14 356	12 700	
2 010	OMERS Realty Corp.	2.473	12-Nov-2019	2 010	2 012	
19 637	OMERS Realty Corp.	3.203	24-Jul-2020	19 874	19 824	
19 935	Ontario Power Generation Inc.	3.315	04-Oct-2027	19 955	19 844	
4 755	Pembina Pipeline Corp.	3.710	11-Aug-2026	4 632	4 696	
1 795	Plenary Health Hamilton LP	5.796	31-May-2043	2 156	2 174	
8 428	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	9 118	9 218	
7 120	PSS Generating Station LP	4.795	24-Oct-2067	7 120	8 144	
3 680	Ridley Grain Ltd.	5.227	01-Aug-2024	3 680	3 837	
18 990	Rogers Communications Inc.	4.700	29-Sep-2020	19 760	19 571	
24 247	Rogers Communications Inc.	5.340	22-Mar-2021	25 887	25 437	
29 723	Royal Bank of Canada*	1.920	17-Jul-2020	29 433	29 441	
58 820	Royal Bank of Canada*	2.860	04-Mar-2021	58 997	59 041	
66 035	Royal Bank of Canada*	2.030	15-Mar-2021	64 820	65 123	
19 588	Royal Bank of Canada*	1.650	15-Jul-2021	19 186	19 071	
14 515	Royal Bank of Canada*	1.583	13-Sep-2021	14 012	14 079	
750	Royal Bank of Canada*	2.949	01-May-2023	748	752	
6 920	SEC LP and Arci Ltd.	5.188	29-Aug-2033	7 221	7 237	
2 110	SGTP Highway Bypass LP	4.105	31-Jan-2045	2 110	2 197	
923	SNC-Lavalin Group Inc.	6.632	30-Jun-2044	1 171	1 184	
4 150	Sun Life Financial Inc.	2.770	13-May-2024	4 198	4 155	
13 105	Sysco Canada Inc.	3.650	25-Apr-2025	13 100	13 166	
4 130	TELUS Corp.	5.050	23-Jul-2020	4 332	4 272	
28 605	Teranet Holdings LP	4.807	16-Dec-2020	31 083	29 423	
5 896	Toronto Hydro Corp.	3.540	18-Nov-2021	6 010	6 044	
44 965	Toronto-Dominion Bank	1.693	02-Apr-2020	44 342	44 529	
59 290	Toronto-Dominion Bank	2.045	08-Mar-2021	58 241	58 535	
21 295	Toronto-Dominion Bank	1.680	08-Jun-2021	20 829	20 861	
43 540	Toronto-Dominion Bank	2.621	22-Dec-2021	43 359	43 381	
1 555	Toronto-Dominion Bank	3.005	30-May-2023	1 562	1 564	
30 670	TransAlta OCP LP	4.509	05-Aug-2030	30 671	31 580	
14 574	TransCanada PipeLines Ltd.	3.650	15-Nov-2021	14 929	14 875	
2 000	TransCanada PipeLines Ltd.	7.310	15-Jan-2027	2 503	2 481	
1 890	TransCanada PipeLines Ltd.	6.280	26-May-2028	2 255	2 232	
5 000	TransCanada PipeLines Ltd.	6.890	07-Aug-2028	6 190	6 153	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
2 450	TransCanada PipeLines Ltd.	8.200	15-Aug-2031	\$ 3 718	\$ 3 310	
5 000	TransCanada PipeLines Ltd.	8.050	17-Feb-2039	7 631	7 115	
11 472	TransCanada PipeLines Ltd.	4.550	15-Nov-2041	12 026	11 325	
9 816	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	9 887	9 385	
14 140	TransCanada PipeLines Ltd.	4.330	16-Sep-2047	14 151	13 420	
7 300	TransCanada PipeLines Ltd.	4.180	03-Jul-2048	7 304	6 732	
18 760	TransEd Partners GP	3.951	30-Sep-2050	17 351	17 786	
6 001	Trillium Windpower LP	5.803	15-Feb-2033	6 999	6 772	
3 940	Union Gas Ltd.	8.650	10-Nov-2025	5 548	5 223	
6 410	Union Gas Ltd.	2.810	01-Jun-2026	6 410	6 241	
7 849	Union Gas Ltd.	2.880	22-Nov-2027	7 476	7 614	
5 065	Union Gas Ltd.	5.460	11-Sep-2036	6 446	6 080	
2 315	Union Gas Ltd.	4.880	21-Jun-2041	2 747	2 650	
1 817	Union Gas Ltd.	4.200	02-Jun-2044	1 988	1 905	
2 135	Vancouver Airport Authority	3.857	10-Nov-2045	2 383	2 276	
3 340	Vancouver Airport Authority	3.656	23-Nov-2048	3 340	3 439	
4 196	Vancouver Airport Fuel Facilities Corp.	3.653	20-Mar-2051	4 196	4 397	
1 530	Vancouver Fraser Port Authority	4.630	20-Apr-2020	1 703	1 565	
4 136	Vancouver International Airport Authority	7.425	07-Dec-2026	5 738	5 488	
29 595	Wells Fargo Canada Corp.	2.944	25-Jul-2019	29 773	29 687	
3 059	Westcoast Energy Inc.	5.600	16-Jan-2019	3 376	3 062	
2 767	Westcoast Energy Inc.	9.900	10-Jan-2020	4 019	2 961	
13 851	Westcoast Energy Inc.	4.570	02-Jul-2020	14 233	14 202	
1 000	Westcoast Energy Inc.	3.883	28-Oct-2021	1 020	1 024	
2 975	Westcoast Energy Inc.	6.750	15-Dec-2027	3 831	3 624	
7 200	Westcoast Energy Inc.	4.791	28-Oct-2041	7 907	7 430	
2 855	Winnipeg Airport Authority Inc.	4.569	20-Nov-2019	3 169	2 908	
1 740	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	1 737	1 761	
4 585	Winnipeg Airport Authority Inc.	5.205	28-Sep-2040	5 484	5 262	
6 578	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	7 384	8 196	
3 945	Winnipeg Airport Authority Inc.	3.659	30-Sep-2047	3 945	3 961	
				2 721 899	2 687 626	31.9
FEDERAL						
53 969	Canada Housing Trust No. 1	1.250	15-Jun-2021	53 930	52 955	
52 310	Canada Housing Trust No. 1	3.800	15-Jun-2021	55 298	54 495	
44 086	Canada Housing Trust No. 1	1.150	15-Dec-2021	43 221	42 890	
87 545	Canada Housing Trust No. 1	1.500	15-Dec-2021	87 235	86 041	
69 975	Canada Housing Trust No. 1	2.650	15-Mar-2022	73 861	71 082	
253 429	Canada Housing Trust No. 1	1.750	15-Jun-2022	254 028	249 815	
278 735	Canada Housing Trust No. 1	2.400	15-Dec-2022	281 616	280 537	
125 010	Canada Housing Trust No. 1	2.350	15-Jun-2023	124 684	125 420	
9 445	Canada Housing Trust No. 1	2.900	15-Jun-2024	9 550	9 715	
21 003	Canada Housing Trust No. 1	2.250	15-Dec-2025	21 089	20 789	
22 999	Canada Housing Trust No. 1	1.900	15-Sep-2026	21 779	22 125	
44 753	Canada Housing Trust No. 1	2.350	15-Jun-2027	44 785	44 352	
34 158	Canada Housing Trust No. 1	2.650	15-Mar-2028	34 063	34 561	
39 981	Canada Housing Trust No. 1	2.650	15-Dec-2028	39 668	40 426	
1 204	CBC Monetization Trust	4.688	15-May-2027	1 204	1 308	
866	Government of Canada	1.750	01-May-2020	865	865	
20 000	Government of Canada	2.000	01-Nov-2020	19 866	20 050	
234 200	Government of Canada	2.250	01-Feb-2021	233 979	236 026	
20 881	Government of Canada	0.750	01-Mar-2021	20 307	20 391	
94 753	Government of Canada	3.250	01-Jun-2021	100 907	97 830	
8 240	Government of Canada	0.750	01-Sep-2021	7 908	8 003	
21 740	Government of Canada	0.500	01-Mar-2022	20 534	20 828	
11 625	Government of Canada	2.750	01-Jun-2022	11 791	11 960	
540	Government of Canada	1.000	01-Sep-2022	514	523	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
FEDERAL (cont.)						
1 790	Government of Canada	1.750	01-Mar-2023	\$ 1 780	\$ 1 780	
90 097	Government of Canada	2.000	01-Sep-2023	88 841	90 564	
1 925	Government of Canada	2.500	01-Jun-2024	1 969	1 985	
129	Government of Canada	2.250	01-Jun-2025	130	133	
4 639	Government of Canada	1.500	01-Jun-2026	4 437	4 502	
95 123	Government of Canada	1.000	01-Jun-2027	84 595	88 182	
8 980	Government of Canada	5.750	01-Jun-2033	12 442	13 079	
1 819	Government of Canada	5.000	01-Jun-2037	2 544	2 606	
4 432	Government of Canada	4.000	01-Jun-2041	5 647	5 848	
1 658	Government of Canada	3.500	01-Dec-2045	2 107	2 098	
10 640	Government of Canada	1.250	01-Dec-2047	12 578	11 990	
327 586	Government of Canada	2.750	01-Dec-2048	359 047	368 382	
33 953	Government of Canada	0.500	01-Dec-2050	32 753	31 443	
28 702	Government of Canada	2.000	01-Dec-2051	26 974	27 465	
				2 198 526	2 203 044	26.2
PROVINCIAL/MUNICIPAL						
5 000	City of Montreal	3.500	01-Sep-2024	5 206	5 192	
6 430	City of Montreal	2.750	01-Sep-2026	6 335	6 337	
14 894	City of Montreal	3.000	01-Sep-2027	14 726	14 871	
28 829	City of Montreal	3.150	01-Sep-2028	28 603	29 007	
200	City of Montreal	3.150	01-Dec-2036	199	192	
10 400	City of Toronto	3.500	06-Dec-2021	10 814	10 732	
5 920	City of Toronto	3.500	02-Jun-2036	5 880	5 974	
14 632	First Nations Finance Authority	3.050	01-Jun-2028	14 467	14 623	
11 023	Hospital for Sick Children	5.217	16-Dec-2049	12 519	14 247	
9 630	Hospital for Sick Children	3.416	07-Dec-2057	9 630	9 308	
3 980	McGill University	6.150	22-Sep-2042	5 523	5 543	
3 000	Municipal Finance Authority of British Columbia	2.950	14-Oct-2024	3 023	3 049	
36 027	Ontario Electricity Financial Corp.	8.500	26-May-2025	55 102	48 076	
7 007	Ontario Electricity Financial Corp.	9.000	26-May-2025	10 759	9 558	
40 915	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	60 023	55 722	
1 325	Ontario School Boards Financing Corp.	7.200	09-Jun-2025	1 532	1 521	
705	Ontario School Boards Financing Corp.	6.550	19-Oct-2026	827	804	
13 422	Ontario School Boards Financing Corp.	5.900	11-Oct-2027	15 834	15 119	
13 887	Ontario School Boards Financing Corp.	5.483	26-Nov-2029	15 493	15 705	
17 310	OPB Finance Trust	1.880	24-Feb-2022	16 830	16 989	
11 435	OPB Finance Trust	2.980	25-Jan-2027	11 444	11 466	
88 073	Province of Alberta	2.200	01-Jun-2026	84 190	84 740	
7 789	Province of Alberta	3.900	01-Dec-2033	8 505	8 465	
19 936	Province of Alberta	3.450	01-Dec-2043	22 153	20 454	
67 480	Province of Alberta	3.300	01-Dec-2046	70 706	67 444	
8 000	Province of Manitoba	2.550	02-Jun-2026	7 973	7 882	
5 157	Province of Manitoba	4.050	05-Sep-2045	5 634	5 782	
83 866	Province of Manitoba	2.850	05-Sep-2046	76 795	76 228	
11 984	Province of New Brunswick	3.650	03-Jun-2024	13 257	12 611	
14 500	Province of New Brunswick	4.800	26-Sep-2039	18 915	17 532	
5 474	Province of New Brunswick	4.800	03-Jun-2041	6 605	6 665	
13 076	Province of New Brunswick	3.550	03-Jun-2043	13 365	13 357	
35 663	Province of New Brunswick	3.800	14-Aug-2045	37 990	38 029	
25 867	Province of Newfoundland and Labrador	3.300	17-Oct-2046	24 212	24 995	
12 614	Province of Ontario	3.150	02-Jun-2022	13 051	12 951	
12 493	Province of Ontario	2.850	02-Jun-2023	13 266	12 698	
62 642	Province of Ontario	2.600	08-Sep-2023	62 621	63 000	
6 824	Province of Ontario	7.500	07-Feb-2024	9 498	8 419	
159 740	Province of Ontario	3.500	02-Jun-2024	175 303	167 406	
74 493	Province of Ontario	2.600	02-Jun-2025	74 300	74 358	
56 110	Province of Ontario	8.500	02-Dec-2025	85 326	76 323	
35 853	Province of Ontario	2.400	02-Jun-2026	35 110	35 110	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
59 202	Province of Ontario	2.600	02-Jun-2027	\$ 57 341	\$ 58 396	
43 377	Province of Ontario	2.900	02-Jun-2028	42 532	43 662	
155 517	Province of Ontario	6.200	02-Jun-2031	219 191	207 758	
105 477	Province of Ontario	5.600	02-Jun-2035	144 700	138 911	
32 890	Province of Ontario	4.700	02-Jun-2037	41 291	39 972	
152 724	Province of Ontario	4.600	02-Jun-2039	197 727	185 405	
1 720	Province of Ontario	4.650	02-Jun-2041	2 177	2 118	
194 537	Province of Ontario	3.500	02-Jun-2043	206 635	204 247	
79 059	Province of Ontario	2.900	02-Dec-2046	76 417	74 615	
34 621	Province of Ontario	2.800	02-Jun-2048	32 787	32 087	
143 367	Province of Ontario	2.900	02-Jun-2049	137 697	135 793	
2 475	Province of Quebec	4.250	01-Dec-2021	2 772	2 616	
42 542	Province of Quebec	9.375	16-Jan-2023	63 952	53 872	
5 000	Province of Quebec	3.000	01-Sep-2023	5 078	5 123	
96 239	Province of Quebec	8.500	01-Apr-2026	147 407	132 569	
785	Province of Quebec	2.500	01-Sep-2026	785	776	
34 362	Province of Quebec	2.750	01-Sep-2027	34 469	34 412	
52 541	Province of Quebec	2.750	01-Sep-2028	51 228	52 463	
44 174	Province of Quebec	6.000	01-Oct-2029	58 725	56 917	
1 975	Province of Quebec	5.750	01-Dec-2036	2 691	2 694	
4 344	Province of Quebec	5.000	01-Dec-2041	5 634	5 658	
5 405	Province of Quebec	3.500	01-Dec-2045	5 846	5 746	
23 085	Province of Quebec	3.500	01-Dec-2048	25 177	24 721	
24 982	Province of Saskatchewan	2.550	02-Jun-2026	25 099	24 666	
3 592	Province of Saskatchewan	5.750	05-Mar-2029	5 020	4 473	
3 500	Province of Saskatchewan	6.400	05-Sep-2031	5 331	4 742	
16 993	Province of Saskatchewan	3.900	02-Jun-2045	20 586	18 859	
23 292	Province of Saskatchewan	2.750	02-Dec-2046	22 639	21 053	
7 752	Queen's University	6.100	19-Nov-2032	10 114	9 895	
5 425	Trillium Health Partners Volunteers	3.702	20-Dec-2058	5 425	5 402	
5 968	University of British Columbia	6.650	01-Dec-2031	7 989	7 979	
7 460	University of Toronto	4.937	16-Nov-2045	9 488	9 156	
14 077	York Region District School Board	5.098	07-Jun-2032	15 682	15 642	
5 060	York University	4.458	26-Feb-2054	5 931	5 856	
				2 859 107	2 756 738	32.7
TOTAL CANADIAN BONDS				7 779 532	7 647 408	90.8
UNITED KINGDOM BONDS						
39 177	BAA Funding Ltd. CAD	4.000	03-Jul-2019	39 681	39 509	
TOTAL UNITED KINGDOM BONDS				39 681	39 509	0.5
UNITED STATES BONDS						
7 830	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-2023	7 775	7 820	
23 835	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	23 328	22 643	
42 405	AT&T Inc. CAD	4.000	25-Nov-2025	42 293	42 280	
25 265	AT&T Inc. CAD	5.100	25-Nov-2048	25 136	24 443	
985	Bank of America Corp. CAD	3.228	22-Jun-2022	1 012	987	
6 985	John Deere Financial Inc.	3.070	23-Jul-2021	6 983	7 038	
10 000	JPMorgan Chase & Co. CAD	3.190	05-Mar-2021	10 038	10 079	
14 115	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	14 013	14 101	
24 452	Molson Coors International LP CAD	2.750	18-Sep-2020	24 306	24 331	
11 630	The Walt Disney Co. CAD	2.758	07-Oct-2024	11 530	11 447	
28 415	United Parcel Service Inc. CAD	2.125	21-May-2024	28 261	27 102	
16 982	United States Treasury	3.125	15-May-2048	23 011	23 645	
41 345	Wells Fargo & Co. CAD	2.222	15-Mar-2021	41 114	40 666	
TOTAL UNITED STATES BONDS				258 800	256 582	3.1
TOTAL BONDS				8 078 013	7 943 499	94.4

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
MORTGAGE-BACKED SECURITIES						
1 818	Peoples Trust	4.200	01-Oct-2019	\$ 1 816	\$ 1 844	
TOTAL MORTGAGE-BACKED SECURITIES				1 816	1 844	—
MORTGAGES						
CMHC Insured						
1 671	4.930% Nov 01, 2019			1 704	1 703	
1 763	4.930% Dec 01, 2019			1 775	1 801	
1 640	4.850% Jan 01, 2020			1 655	1 673	
1 528	4.260% Nov 01, 2022			1 528	1 607	
6 549	3.160% Sep 05, 2024			6 562	6 486	
TOTAL MORTGAGES				13 224	13 270	0.2
SHORT-TERM INVESTMENTS[†]				414 952	414 952	4.9
TOTAL INVESTMENTS				8 510 654	8 376 181	99.5
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				—	(435)	—
TOTAL PORTFOLIO				\$ 8 510 654	8 375 746	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					44 231	0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 8 419 977	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought CAD 18 759 Sold USD 14 083 @ 1.3320	15-Mar-2019	\$ (435)
TOTAL FOREIGN EXCHANGE		\$ (435)

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.69% to 2.27% and mature between January 3, 2019 and March 21, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 8 376 181	\$ 8 374 837
Cash	5 771	10 814
Due from investment dealers	16 168	—
Subscriptions receivable	6 342	9 619
Futures contracts margin receivable	3 571	14 725
Dividends receivable, interest accrued and other assets	42 756	37 841
TOTAL ASSETS	8 450 789	8 447 836
LIABILITIES		
Due to investment dealers	15 469	—
Redemptions payable	13 967	1 920
Unrealized loss on foreign exchange contracts	435	—
Distributions payable	4	(1)
Accounts payable and accrued expenses	937	1 037
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	30 812	2 956
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 8 419 977	\$ 8 444 880
Investments at cost	\$ 8 510 654	\$ 8 470 936
NAV		
SERIES A	\$ 124 054	\$ 146 640
ADVISOR SERIES	\$ 101 429	\$ 108 975
SERIES D	\$ 528 637	\$ 575 829
SERIES F	\$ 819 298	\$ 921 153
SERIES O	\$ 6 846 559	\$ 6 692 283
NAV PER UNIT		
SERIES A	\$ 11.13	\$ 11.30
ADVISOR SERIES	\$ 11.14	\$ 11.31
SERIES D	\$ 11.13	\$ 11.31
SERIES F	\$ 11.15	\$ 11.32
SERIES O	\$ 11.07	\$ 11.25

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 264 842	\$ 243 508
Income from investment trusts	108	1 370
Derivative income	(70)	4 374
Net realized gain (loss) on investments	(99 127)	(46 552)
Change in unrealized gain (loss) on investments	(38 809)	15 584
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	126 944	218 284
Net gain (loss) on foreign cash balances	1 134	563
TOTAL OTHER INCOME (LOSS)	1 134	563
TOTAL INCOME (LOSS)	128 078	218 847
EXPENSES (see notes – Fund Specific Information)		
Management fees	8 462	8 929
Administration fees	2 176	2 104
Independent Review Committee costs	2	3
GST/HST	1 074	1 112
TOTAL EXPENSES	11 714	12 148
INCREASE (DECREASE) IN NAV	\$ 116 364	\$ 206 699
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 352	\$ 2 711
ADVISOR SERIES	\$ 366	\$ 1 817
SERIES D	\$ 4 482	\$ 12 413
SERIES F	\$ 7 133	\$ 18 075
SERIES O	\$ 104 031	\$ 171 683
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.03	\$ 0.19
ADVISOR SERIES	\$ 0.04	\$ 0.18
SERIES D	\$ 0.09	\$ 0.24
SERIES F	\$ 0.09	\$ 0.23
SERIES O	\$ 0.17	\$ 0.30

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



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 116 364	\$ 206 699
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	(325)
Non-cash distributions from underlying funds	(108)	(1 370)
Net realized loss (gain) on investments	99 127	46 552
Change in unrealized loss (gain) on investments	38 809	(15 584)
(Increase) decrease in accrued receivables	(4 915)	3 792
Increase (decrease) in accrued payables	(100)	39
(Increase) decrease in margin accounts	11 154	(4 562)
Cost of investments purchased	(16 785 012)	(12 613 209)
Proceeds from sale and maturity of investments	16 645 576	12 129 569
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	120 895	(248 399)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 806 230	1 878 147
Cash paid on redemption of redeemable units	(1 878 943)	(1 573 982)
Distributions paid to holders of redeemable units	(53 225)	(54 374)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (125 938)	\$ 249 791
Net increase (decrease) in cash for the period	(5 043)	1 392
Cash (bank overdraft), beginning of period	10 814	9 422
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 5 771	\$ 10 814
Interest received (paid)	\$ 259 927	\$ 246 975
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 146 640	\$ 169 245	\$ 108 975	\$ 111 224	\$ 575 829	\$ 583 467	\$ 921 153	\$ 801 893
INCREASE (DECREASE) IN NAV	352	2 711	366	1 817	4 482	12 413	7 133	18 075
Early redemption fees	—	—	—	—	1	2	2	11
Proceeds from redeemable units issued	15 760	25 557	25 658	34 952	49 661	61 765	315 212	418 075
Reinvestments of distributions to holders of redeemable units	2 344	2 859	1 738	1 880	12 075	12 815	13 734	13 826
Redemption of redeemable units	(38 445)	(50 565)	(33 260)	(38 647)	(99 933)	(80 364)	(415 567)	(307 907)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(20 341)	(22 149)	(5 864)	(1 815)	(38 196)	(5 782)	(86 619)	124 005
Distributions from net income	(2 597)	(3 167)	(2 048)	(2 251)	(13 478)	(14 269)	(22 369)	(22 820)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 597)	(3 167)	(2 048)	(2 251)	(13 478)	(14 269)	(22 369)	(22 820)
NET INCREASE (DECREASE) IN NAV	(22 586)	(22 605)	(7 546)	(2 249)	(47 192)	(7 638)	(101 855)	119 260
NAV AT END OF PERIOD	\$ 124 054	\$ 146 640	\$ 101 429	\$ 108 975	\$ 528 637	\$ 575 829	\$ 819 298	\$ 921 153

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 6 692 283	\$ 6 316 953	\$ 8 444 880	\$ 7 982 782
INCREASE (DECREASE) IN NAV	104 031	171 683	116 364	206 699
Early redemption fees	—	—	3	13
Proceeds from redeemable units issued	1 422 186	1 362 688	1 828 477	1 903 037
Reinvestments of distributions to holders of redeemable units	169 313	151 560	199 204	182 940
Redemption of redeemable units	(1 329 312)	(1 115 795)	(1 916 517)	(1 593 278)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	262 187	398 453	111 167	492 712
Distributions from net income	(211 942)	(194 806)	(252 434)	(237 313)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(211 942)	(194 806)	(252 434)	(237 313)
NET INCREASE (DECREASE) IN NAV	154 276	375 330	(24 903)	462 098
NAV AT END OF PERIOD	\$ 6 846 559	\$ 6 692 283	\$ 8 419 977	\$ 8 444 880

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



December 31, 2018

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
AAA	28.3	45.3
AA	38.7	29.5
A	16.6	13.5
BBB	15.1	10.6
BB	1.0	0.8
Unrated*	0.3	0.3
Total	100.0	100.0

* Mortgages, which represent 59.0% (December 31, 2017 – 59.7%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. As at December 31, 2018 and 2017, there were no mortgage payments in arrears for more than 90 days.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Corporate Bonds	35.5	24.9
Provincial Bonds	31.8	29.6
Federal Bonds	26.2	41.4
Municipal Bonds	0.9	1.1
Mortgages	0.2	0.2
Cash/Other	5.4	2.8
Total	100.0	100.0

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	2.8	1.9
1 – 5 years	38.8	39.2
5 – 10 years	23.7	27.9
> 10 years	34.7	31.0
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.3% (December 31, 2017 – 7.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	2 616	–	–	2 616
Fixed-income				
and debt securities	–	7 945 343	13 270	7 958 613
Short-term investments	–	414 952	–	414 952
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(435)	–	(435)
Total financial instruments	2 616	8 359 860	13 270	8 375 746
% of total portfolio	–	99.8	0.2	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	1 712	–	–	1 712
Fixed-income				
and debt securities	–	8 180 621	13 914	8 194 535
Short-term investments	–	178 590	–	178 590
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 712	8 359 211	13 914	8 374 837
% of total portfolio	–	99.8	0.2	100.0

During the periods ended December 31, 2018 and 2017, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2018	December 31 2017
Balance at beginning of period	13 914	8 042
Net purchases	–	6 696
Net sales	(537)	(436)
Net transfers in (out)	–	–
Realized gains (losses)	(6)	(6)
Change in unrealized gains (losses)	(101)	(382)
Balance at end of period	13 270	13 914
Change in unrealized gains (losses) for		
Level 3 assets held at end of period	(101)	(381)



December 31, 2018

The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at December 31, 2018, a 10% increase or decrease in the weighted average spread premium of 1.18% (December 31, 2017 – 1.19%), an unobservable input, would have increased or decreased the Fund's NAV respectively by approximately 0.0% (December 31, 2017 – 0.0%).

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series D	0.50%	0.04%
Series F	0.40%	0.05%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	56	55
Advisor Series	112	110
Series D	58	57
Series F	59	57
Value of all units	3	3

Unconsolidated structured entities (%) (see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North High Yield Bond Fund	–	–	–	–
RBC High Yield Bond Fund	–	0.1	–	–

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	129 837
Non-capital losses	–

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	12 974	14 922
Issued number of units	1 416	2 242
Reinvested number of units	210	252
Redeemed number of units	(3 453)	(4 442)
Ending number of units	11 147	12 974
Advisor Series		
Opening units	9 631	9 796
Issued number of units	2 301	3 061
Reinvested number of units	156	166
Redeemed number of units	(2 985)	(3 392)
Ending number of units	9 103	9 631
Series D		
Opening units	50 929	51 440
Issued number of units	4 454	5 422
Reinvested number of units	1 082	1 131
Redeemed number of units	(8 981)	(7 064)
Ending number of units	47 484	50 929
Series F		
Opening units	81 375	70 615
Issued number of units	28 229	36 582
Reinvested number of units	1 229	1 219
Redeemed number of units	(37 332)	(27 041)
Ending number of units	73 501	81 375



December 31, 2018

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series 0		
Opening units	594 987	559 740
Issued number of units	128 260	120 282
Reinvested number of units	15 257	13 449
Redeemed number of units	(120 215)	(98 484)
Ending number of units	618 289	594 987

Investments by other related investment funds (%)
(see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
RBC Balanced Growth & Income Class	0.3	0.3
RBC Balanced Growth & Income Fund	2.2	2.4
RBC Conservative Bond Pool	0.2	–
RBC Conservative Growth & Income Fund	0.5	0.5
RBC Core Bond Pool	0.5	–
RBC Core Plus Bond Pool	1.3	–
RBC Monthly Income Bond Fund	2.2	2.9
RBC Retirement 2020 Portfolio	–	–
RBC Retirement 2025 Portfolio	–	–
RBC Retirement 2030 Portfolio	–	–
RBC Retirement 2035 Portfolio	–	–
RBC Retirement 2040 Portfolio	–	–
RBC Retirement 2045 Portfolio	–	–
RBC Retirement 2050 Portfolio	–	–
RBC Retirement Income Solution	–	–
RBC Select Balanced Portfolio	0.9	2.4
RBC Select Choices Balanced Portfolio	0.3	0.5
RBC Select Choices Conservative Portfolio	0.2	0.3
RBC Select Choices Growth Portfolio	–	0.2
RBC Select Conservative Portfolio	31.7	28.3
RBC Select Growth Portfolio	1.0	1.0
RBC Select Very Conservative Portfolio	15.0	15.0
RBC Target 2020 Education Fund	0.3	0.3
RBC Target 2025 Education Fund	1.6	1.4
RBC Target 2030 Education Fund	0.5	0.4
Total	58.7	55.9

Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	–	(435)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	–	(435)
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	–	(435)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	–	–
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	–	–
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	–	–



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

December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
1	Government of Canada	0.750	01-Sep-2021	\$ 1	\$ 1	
7 215	Government of Canada	4.250	01-Dec-2021	7 973	7 957	
1	Government of Canada	1.500	01-Jun-2026	1	1	
17 515	Government of Canada	4.000	01-Dec-2031	25 603	24 737	
8 983	Government of Canada	2.000	01-Dec-2041	11 972	11 277	
9 964	Government of Canada	1.500	01-Dec-2044	12 358	11 656	
1	Government of Canada	3.500	01-Dec-2045	1	1	
10 963	Government of Canada	1.250	01-Dec-2047	12 433	12 354	
2	Government of Canada	2.750	01-Dec-2048	2	2	
15 670	Government of Canada	0.500	01-Dec-2050	15 113	14 512	
				85 457	82 498	74.6
PROVINCIAL/MUNICIPAL						
3 467	Province of Ontario	2.000	01-Dec-2036	3 636	3 745	
17 357	Province of Quebec	4.500	01-Dec-2021	19 907	19 101	
1 617	Province of Quebec	4.500	01-Dec-2026	2 460	2 015	
1 824	Province of Quebec	4.250	01-Dec-2031	2 629	2 443	
				28 632	27 304	24.7
TOTAL CANADIAN BONDS				114 089	109 802	99.3
SHORT-TERM INVESTMENTS*				575	575	0.5
TOTAL INVESTMENTS				<u>\$ 114 664</u>	110 377	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					203	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>\$ 110 580</u>	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 2.06% to 2.14% and mature between January 3, 2019 and January 15, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 110 377	\$ 93 634
Cash	28	133
Due from investment dealers	30 330	23 212
Subscriptions receivable	60	26
Dividends receivable, interest accrued and other assets	216	178
TOTAL ASSETS	141 011	117 183
LIABILITIES		
Due to investment dealers	30 336	23 543
Redemptions payable	77	208
Accounts payable and accrued expenses	18	22
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	30 431	23 773
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 110 580	\$ 93 410
Investments at cost	\$ 114 664	\$ 94 665
NAV		
SERIES A	\$ 8 211	\$ 11 693
ADVISOR SERIES	\$ 1 502	\$ 1 640
SERIES D	\$ 13 376	\$ 12 403
SERIES F	\$ 6 979	\$ 8 934
SERIES O	\$ 80 512	\$ 58 740
NAV PER UNIT		
SERIES A	\$ 8.61	\$ 8.94
ADVISOR SERIES	\$ 8.61	\$ 8.94
SERIES D	\$ 8.66	\$ 9.00
SERIES F	\$ 8.65	\$ 8.98
SERIES O	\$ 8.73	\$ 9.07

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 4 749	\$ 3 063
Derivative income	4	—
Net realized gain (loss) on investments	(1 632)	(2 258)
Change in unrealized gain (loss) on investments	(3 256)	845
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(135)	1 650
Securities lending revenue (see note 7 in the generic notes)	1	—
Net gain (loss) on foreign cash balances	(1)	—
TOTAL OTHER INCOME (LOSS)	—	—
TOTAL INCOME (LOSS)	(135)	1 650
EXPENSES (see notes – Fund Specific Information)		
Management fees	168	209
Administration fees	30	28
Independent Review Committee costs	2	3
GST/HST	19	22
TOTAL EXPENSES	219	262
INCREASE (DECREASE) IN NAV	\$ (354)	\$ 1 388
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (74)	\$ 63
ADVISOR SERIES	\$ (15)	\$ 9
SERIES D	\$ (66)	\$ 129
SERIES F	\$ (82)	\$ 129
SERIES O	\$ (117)	\$ 1 058
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (0.07)	\$ 0.05
ADVISOR SERIES	\$ (0.08)	\$ 0.05
SERIES D	\$ (0.04)	\$ 0.10
SERIES F	\$ (0.10)	\$ 0.15
SERIES O	\$ (0.01)	\$ 0.23



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (354)	\$ 1 388
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	(2 438)	(1 170)
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	1 632	2 258
Change in unrealized loss (gain) on investments	3 256	(845)
(Increase) decrease in accrued receivables	(38)	(23)
Increase (decrease) in accrued payables	(4)	(1)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(2 888 873)	(6 256 880)
Proceeds from sale and maturity of investments	2 869 355	6 246 443
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(17 464)	(8 830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	36 972	27 302
Cash paid on redemption of redeemable units	(19 377)	(16 366)
Distributions paid to holders of redeemable units	(236)	(2 139)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 17 359	\$ 8 797
Net increase (decrease) in cash for the period	(105)	(33)
Cash (bank overdraft), beginning of period	133	166
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 28	\$ 133
Interest received (paid)	\$ 2 273	\$ 1 870
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 11 693	\$ 13 503	\$ 1 640	\$ 2 043	\$ 12 403	\$ 15 645	\$ 8 934	\$ 8 423
INCREASE (DECREASE) IN NAV	(74)	63	(15)	9	(66)	129	(82)	129
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 062	747	354	691	4 078	1 869	2 505	2 618
Reinvestments of distributions to holders of redeemable units	264	2 577	43	357	444	2 812	186	1 189
Redemption of redeemable units	(4 463)	(2 518)	(472)	(1 059)	(3 021)	(5 134)	(4 304)	(1 261)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(3 137)	806	(75)	(11)	1 501	(453)	(1 613)	2 546
Distributions from net income	(271)	(327)	(48)	(49)	(462)	(356)	(260)	(265)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	(2 352)	—	(352)	—	(2 562)	—	(1 899)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(271)	(2 679)	(48)	(401)	(462)	(2 918)	(260)	(2 164)
NET INCREASE (DECREASE) IN NAV	(3 482)	(4 318)	(138)	(862)	973	(7 328)	(1 955)	(1 621)
NAV AT END OF PERIOD	\$ 8 211	\$ 11 693	\$ 1 502	\$ 1 640	\$ 13 376	\$ 12 403	\$ 6 979	\$ 8 934

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 58 740	\$ 43 870	\$ 93 410	\$ 83 484
INCREASE (DECREASE) IN NAV	(117)	1 058	(354)	1 388
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	29 075	21 512	37 074	27 437
Reinvestments of distributions to holders of redeemable units	2 907	11 991	3 844	18 926
Redemption of redeemable units	(7 054)	(6 788)	(19 314)	(16 760)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	24 928	26 715	21 604	29 603
Distributions from net income	(3 039)	(1 575)	(4 080)	(2 572)
Distributions from net gains	—	—	—	—
Distributions from capital	—	(11 328)	—	(18 493)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3 039)	(12 903)	(4 080)	(21 065)
NET INCREASE (DECREASE) IN NAV	21 772	(9 721)	17 170	(23 850)
NAV AT END OF PERIOD	\$ 80 512	\$ 58 740	\$ 110 580	\$ 93 410

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



December 31, 2018

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
AAA	75.1	80.2
AA	24.9	19.8
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Federal Bonds	74.6	80.0
Provincial Bonds	24.7	19.7
Cash/Other	0.7	0.3
Total	100.0	100.0

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	–	–
1 – 5 years	21.6	24.4
5 – 10 years	1.6	2.2
> 10 years	76.8	73.4
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 14.7% (December 31, 2017 – 15.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	109 802	–	109 802
Short-term investments	–	575	–	575
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	110 377	–	110 377
% of total portfolio	–	100.0	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	93 134	–	93 134
Short-term investments	–	500	–	500
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	93 634	–	93 634
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	0.80%	0.05%
Advisor Series	0.80%	0.05%
Series D	0.45%	0.05%
Series F	0.30%	0.05%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	72	70
Advisor Series	142	138
Series D	74	71
Series F	75	72
Series O	77	74
Value of all units	4	4

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	12 475
Non-capital losses	–

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	1 307	1 198
Issued number of units	119	67
Reinvested number of units	30	276
Redeemed number of units	(502)	(234)
Ending number of units	954	1 307
Advisor Series		
Opening units	183	181
Issued number of units	40	63
Reinvested number of units	5	38
Redeemed number of units	(53)	(99)
Ending number of units	175	183
Series D		
Opening units	1 379	1 381
Issued number of units	454	172
Reinvested number of units	50	298
Redeemed number of units	(338)	(472)
Ending number of units	1 545	1 379
Series F		
Opening units	994	745
Issued number of units	280	246
Reinvested number of units	21	127
Redeemed number of units	(488)	(124)
Ending number of units	807	994

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series O		
Opening units	6 477	3 846
Issued number of units	3 202	1 984
Reinvested number of units	326	1 276
Redeemed number of units	(781)	(629)
Ending number of units	9 224	6 477

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	3	3
Fair value of collateral received	3	3

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	1	100	–	100
RBC IS (paid)	–	(25)	–	(25)
Tax withheld	–	–	–	–
Fund revenue	1	75	–	75

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North LifeTime 2015 Fund	2.0	2.8
Phillips, Hager & North LifeTime 2020 Fund	12.8	16.7
Phillips, Hager & North LifeTime 2025 Fund	10.9	9.3
Phillips, Hager & North LifeTime 2030 Fund	1.9	0.4
Total	27.6	29.2

Revision of comparative information

Certain comparative figures were revised. The “Investments at cost” amount in the Statements of Financial Position was revised to reflect the cost adjustment on inflation-indexed bonds. As a result, amounts in “Net realized gain (loss) on investments” were reclassified to “Interest for distribution purposes” and “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income and Statements of Cash Flow. The net impact on “NAV,” “NAV per unit” and “Net cash provided by (used in) operating activities” is nil.

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
CORPORATE						
76 486	Atlantic Power LP	5.950	23-Jun-2036	\$ 55 740	\$ 60 700	
48 900	AutoCanada Inc.	5.625	25-May-2021	48 885	47 733	
29 820	Baytex Energy Corp. USD	5.125	01-Jun-2021	29 280	39 184	
165 000	Baytex Energy Corp.	6.625	19-Jul-2022	162 673	157 575	
142 604	Baytex Energy Corp. USD	5.625	01-Jun-2024	168 319	169 375	
90 000	Brookfield Property Finance ULC	4.115	19-Oct-2021	90 000	90 859	
25 000	Brookfield Property Finance ULC	4.346	03-Jul-2023	24 972	25 083	
13 687	Brookfield Residential Properties Inc. USD	6.500	15-Dec-2020	18 290	18 675	
16 448	CanWel Building Materials Group Ltd.	6.375	09-Oct-2023	16 320	15 789	
55 800	CES Energy Solutions Corp.	6.375	21-Oct-2024	55 665	52 255	
9 000	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	9 039	9 024	
10 000	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	10 138	10 061	
38 400	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	39 377	39 013	
5 000	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	4 971	4 976	
25 750	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	25 312	25 463	
36 000	Cominar Real Estate Investment Trust	4.247	23-May-2023	35 353	35 323	
88 900	Crew Energy Inc.	6.500	14-Mar-2024	83 032	75 046	
20 000	Crombie Real Estate Investment Trust	2.775	10-Feb-2020	19 850	19 911	
75 500	Crombie Real Estate Investment Trust	3.962	01-Jun-2021	76 731	76 115	
28 500	Crombie Real Estate Investment Trust	4.066	21-Nov-2022	28 500	28 519	
48 000	Crombie Real Estate Investment Trust	4.800	31-Jan-2025	48 015	48 712	
88 000	Enbridge Inc.	5.375	27-Sep-2077	88 149	81 304	
41 446	Gibson Energy Inc.	5.375	15-Jul-2022	40 523	41 481	
10 000	Island Timberlands LP USD	6.160	30-Aug-2025	12 122	15 677	
2 974	Mattamy Group Corp. USD	6.500	01-Oct-2025	3 753	3 654	
20 000	Morguard Corp.	4.013	18-Nov-2020	20 000	20 105	
50 000	Morguard Corp.	4.333	15-Sep-2022	50 000	50 143	
46 624	Paramount Resources Ltd. USD	6.875	30-Jun-2023	62 650	63 333	
20 740	Parkland Fuel Corp.	5.500	28-May-2021	21 173	21 012	
55 485	Parkland Fuel Corp.	6.000	21-Nov-2022	55 605	56 086	
786	Precision Drilling Corp. USD	6.500	15-Dec-2021	872	1 003	
212 053	Quebecor Media Inc.	6.625	15-Jan-2023	214 886	221 065	
188 000	Seven Generations Energy Ltd. USD	6.750	01-May-2023	252 201	255 374	
53 000	Sherritt International Corp.	7.875	11-Oct-2022	48 080	35 311	
33 950	Superior Plus Corp. USD	7.000	15-Jul-2026	45 031	44 958	
28 000	Superior Plus LP	5.250	27-Feb-2024	28 100	26 387	
24 500	Superior Plus LP	5.125	27-Aug-2025	23 433	22 440	
131 819	Teine Energy Ltd. USD	6.875	30-Sep-2022	177 338	175 460	
TOTAL CANADIAN BONDS				2 194 378	2 184 184	57.0
UNITED STATES BONDS						
18 709	CSC Holdings LLC	8.625	15-Feb-2019	24 787	25 669	
15 000	Hughes Satellite Systems Corp.	6.500	15-Jun-2019	19 957	20 696	
167 000	Icahn Enterprises LP	6.000	01-Aug-2020	218 339	227 988	
28 000	Icahn Enterprises LP	5.875	01-Feb-2022	36 556	37 604	
7 000	Icahn Enterprises LP	6.250	01-Feb-2022	9 176	9 461	
230 000	Neptune Finco Corp.	10.125	15-Jan-2023	331 717	338 569	
24 980	Targa Resources Partners LP	4.125	15-Nov-2019	33 426	33 890	
33 904	The Manitowoc Co. Inc.	12.750	15-Aug-2021	48 627	49 410	
81 500	Trilogy International Partners LLC	8.875	01-May-2022	107 507	107 926	
TOTAL UNITED STATES BONDS				830 092	851 213	22.2
TOTAL BONDS				3 024 470	3 035 397	79.2

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



December 31, 2018

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS*				
15 125	Bank of Montreal	\$ 15 110	\$ 15 110	
37 975	Banner Trust	37 904	37 904	
1 300	Caisse Centrale Desjardins	1 297	1 297	
48 525	Canadian Master Trust - Series A	48 419	48 419	
2 050	Clarity Trust	2 046	2 046	
47 000	Enbridge Pipelines Inc.	46 903	46 903	
14 975	Hydro One Inc.	14 969	14 969	
36 750	Inter Pipeline Corridor Inc.	36 676	36 676	
192 275	Merit Trust - Senior Notes	192 013	192 013	
26 695	Nova Scotia Power Inc.	26 636	26 636	
9 825	OMERS Realty Corp.	9 804	9 804	
19 150	Prime Trust - Senior Notes	19 136	19 136	
5 000	Ridge Trust	4 985	4 985	
450	SAFE Trust - Series 1996-1	449	449	
64 360	SOUND Trust	64 242	64 242	
5 400	Suncor Energy Inc.	5 391	5 391	
88 030	SURE Trust	87 880	87 880	
51 440	TransCanada PipeLines Ltd.	51 267	51 267	
48 000	Zeus Receivables Trust - Senior Notes	47 942	47 942	
TOTAL SHORT-TERM INVESTMENTS		713 069	713 069	18.6
TOTAL INVESTMENTS		3 737 539	3 748 466	97.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	29 107	0.8
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(75 022)	(2.0)
TOTAL PORTFOLIO		\$ 3 737 539	3 702 551	96.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			131 569	3.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 3 834 120	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 100 000 Sold CAD 129 140 @ 0.7744	09-Jan-2019	\$ 7 356
Bought USD 60 000 Sold CAD 77 520 @ 0.7740	10-Jan-2019	4 375
Bought USD 230 000 Sold CAD 298 723 @ 0.7699	18-Jan-2019	15 133
Bought USD 50 000 Sold CAD 65 914 @ 0.7586	04-Mar-2019	2 243
		\$ 29 107

SCHEDULE A (cont.)

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought CAD 98 141 Sold USD 75 000 @ 1.3085	05-Feb-2019	\$ (4 153)
Bought CAD 111 387 Sold USD 85 000 @ 1.3104	07-Feb-2019	(4 541)
Bought CAD 274 768 Sold USD 210 000 @ 1.3084	08-Feb-2019	(11 637)
Bought CAD 270 889 Sold USD 205 000 @ 1.3214	14-Feb-2019	(8 662)
Bought CAD 296 100 Sold USD 225 000 @ 1.3160	25-Feb-2019	(10 654)
Bought CAD 335 917 Sold USD 255 000 @ 1.3173	26-Feb-2019	(11 731)
Bought CAD 397 518 Sold USD 300 000 @ 1.3251	28-Feb-2019	(11 462)
Bought CAD 179 010 Sold USD 135 000 @ 1.3260	28-Feb-2019	(5 031)
Bought CAD 86 236 Sold USD 65 000 @ 1.3267	04-Mar-2019	(2 370)
Bought CAD 186 791 Sold USD 140 000 @ 1.3342	13-Mar-2019	(4 017)
Bought CAD 40 120 Sold USD 30 000 @ 1.3373	18-Mar-2019	(764)
		\$ (75 022)
TOTAL FOREIGN EXCHANGE		\$ (45 915)

All counterparties have a credit rating of at least A.

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.90% to 2.27% and mature between January 2, 2019 and February 5, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 3 748 466	\$ 3 837 905
Cash	75 822	71 456
Due from investment dealers	4 532	—
Subscriptions receivable	2 103	1 703
Unrealized gain on foreign exchange contracts	29 107	20 950
Dividends receivable, interest accrued and other assets	54 364	52 570
TOTAL ASSETS	3 914 394	3 984 584
LIABILITIES		
Due to investment dealers	2 166	—
Redemptions payable	1 819	5 132
Unrealized loss on foreign exchange contracts	75 022	1 460
Accounts payable and accrued expenses	1 267	1 409
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	80 274	8 001
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 3 834 120	\$ 3 976 583
Investments at cost	\$ 3 737 539	\$ 3 793 286
NAV		
SERIES A	\$ 211 657	\$ 248 583
ADVISOR SERIES	\$ 47 050	\$ 60 375
SERIES D	\$ 624 097	\$ 681 016
SERIES F	\$ 548 187	\$ 611 556
SERIES O	\$ 2 403 129	\$ 2 375 053
NAV PER UNIT		
SERIES A	\$ 11.52	\$ 11.99
ADVISOR SERIES	\$ 11.52	\$ 11.99
SERIES D	\$ 11.38	\$ 11.85
SERIES F	\$ 11.44	\$ 11.91
SERIES O	\$ 10.98	\$ 11.43

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 223 295	\$ 229 347
Derivative income	(80 972)	97 463
Net realized gain (loss) on investments	15 828	19 127
Change in unrealized gain (loss) on investments	(99 097)	(59 521)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	59 054	286 416
Net gain (loss) on foreign cash balances	4 485	(8 520)
TOTAL OTHER INCOME (LOSS)	4 485	(8 520)
TOTAL INCOME (LOSS)	63 539	277 896
EXPENSES (see notes – Fund Specific Information)		
Management fees	13 038	13 823
Administration fees	1 495	1 569
Independent Review Committee costs	2	3
GST/HST	1 374	1 461
TOTAL EXPENSES	15 909	16 856
INCREASE (DECREASE) IN NAV	\$ 47 630	\$ 261 040
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 533	\$ 13 952
ADVISOR SERIES	\$ 108	\$ 4 096
SERIES D	\$ 5 287	\$ 39 472
SERIES F	\$ 4 576	\$ 34 548
SERIES O	\$ 37 126	\$ 168 972
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.03	\$ 0.65
ADVISOR SERIES	\$ 0.02	\$ 0.65
SERIES D	\$ 0.09	\$ 0.71
SERIES F	\$ 0.09	\$ 0.71
SERIES O	\$ 0.17	\$ 0.78



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 47 630	\$ 261 040
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(15 828)	(19 127)
Change in unrealized loss (gain) on investments	99 097	59 521
(Increase) decrease in accrued receivables	(1 794)	1 681
Increase (decrease) in accrued payables	(142)	(32)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(11 156 375)	(13 197 872)
Proceeds from sale and maturity of investments	11 225 584	13 362 852
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	198 172	468 063
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	587 344	698 989
Cash paid on redemption of redeemable units	(686 388)	(987 302)
Distributions paid to holders of redeemable units	(94 762)	(133 770)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (193 806)	\$ (422 083)
Net increase (decrease) in cash for the period	4 366	45 980
Cash (bank overdraft), beginning of period	71 456	25 476
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 75 822	\$ 71 456
Interest received (paid)	\$ 221 501	\$ 231 028
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 248 583	\$ 276 968	\$ 60 375	\$ 86 418	\$ 681 016	\$ 666 947	\$ 611 556	\$ 584 954
INCREASE (DECREASE) IN NAV	533	13 952	108	4 096	5 287	39 472	4 576	34 548
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	14 421	21 858	3 959	5 853	45 723	55 655	74 828	138 237
Reinvestments of distributions to holders of redeemable units	7 707	13 692	1 407	3 017	28 447	44 506	15 892	24 988
Redemption of redeemable units	(50 050)	(60 916)	(16 666)	(34 291)	(105 082)	(76 784)	(130 578)	(127 952)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(27 922)	(25 366)	(11 300)	(25 421)	(30 912)	23 377	(39 858)	35 273
Distributions from net income	(9 537)	(10 860)	(2 133)	(3 208)	(31 294)	(31 922)	(28 087)	(28 086)
Distributions from net gains	—	(6 111)	—	(1 510)	—	(16 858)	—	(15 133)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(9 537)	(16 971)	(2 133)	(4 718)	(31 294)	(48 780)	(28 087)	(43 219)
NET INCREASE (DECREASE) IN NAV	(36 926)	(28 385)	(13 325)	(26 043)	(56 919)	14 069	(63 369)	26 602
NAV AT END OF PERIOD	\$ 211 657	\$ 248 583	\$ 47 050	\$ 60 375	\$ 624 097	\$ 681 016	\$ 548 187	\$ 611 556

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 2 375 053	\$ 2 527 124	\$ 3 976 583	\$ 4 142 411
INCREASE (DECREASE) IN NAV	37 126	168 972	47 630	261 040
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	498 065	531 757	636 996	753 360
Reinvestments of distributions to holders of redeemable units	58 225	91 555	111 678	177 758
Redemption of redeemable units	(429 951)	(746 515)	(732 327)	(1 046 458)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	126 339	(123 203)	16 347	(115 340)
Distributions from net income	(135 389)	(139 395)	(206 440)	(213 471)
Distributions from net gains	—	(58 445)	—	(98 057)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(135 389)	(197 840)	(206 440)	(311 528)
NET INCREASE (DECREASE) IN NAV	28 076	(152 071)	(142 463)	(165 828)
NAV AT END OF PERIOD	\$ 2 403 129	\$ 2 375 053	\$ 3 834 120	\$ 3 976 583

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



December 31, 2018

The Fund was closed to new investors effective November 26, 2014, reopened to new investors effective March 28, 2016 and closed again to new investors effective April 7, 2016. Existing investors who held units of the Fund on April 7, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
AAA	–	1.4
A	–	0.5
BBB	15.0	9.1
BB	34.6	41.2
B	50.4	33.5
CCC	–	13.8
Unrated*	–	0.5
Total	100.0	100.0

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

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Corporate Bonds	79.2	90.1
Federal Bonds	–	1.2
Cash/Other	20.8	8.7
Total	100.0	100.0

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

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	3.3	2.6
1 – 5 years	75.7	49.6
5 – 10 years	16.3	39.1
> 10 years	4.7	8.7
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.5% (December 31, 2017 – 3.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	3 035 397	–	3 035 397
Short-term investments	–	713 069	–	713 069
Derivatives – assets	–	29 107	–	29 107
Derivatives – liabilities	–	(75 022)	–	(75 022)
Total financial instruments	–	3 702 551	–	3 702 551
% of total portfolio	–	100.0	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	3 632 300	–	3 632 300
Short-term investments	–	205 605	–	205 605
Derivatives – assets	–	20 950	–	20 950
Derivatives – liabilities	–	(1 460)	–	(1 460)
Total financial instruments	–	3 857 395	–	3 857 395
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2018

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.25%	0.05%
Advisor Series	1.25%	0.05%
Series D	0.75%	0.05%
Series F	0.75%	0.05%
Series O	n/a*	0.03%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	65	62
Advisor Series	129	123
Series D	68	65
Series F	68	65
Value of all units	4	4

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	62 472
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	20 724	22 771
Issued number of units	1 211	1 778
Reinvested number of units	656	1 133
Redeemed number of units	(4 218)	(4 958)
Ending number of units	18 373	20 724

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Advisor Series		
Opening units	5 035	7 106
Issued number of units	334	476
Reinvested number of units	120	249
Redeemed number of units	(1 404)	(2 796)
Ending number of units	4 085	5 035

Series D		
Opening units	57 473	55 478
Issued number of units	3 892	4 581
Reinvested number of units	2 451	3 726
Redeemed number of units	(8 971)	(6 312)
Ending number of units	54 845	57 473

Series F		
Opening units	51 333	48 394
Issued number of units	6 339	11 322
Reinvested number of units	1 362	2 081
Redeemed number of units	(11 120)	(10 464)
Ending number of units	47 914	51 333

Series O		
Opening units	207 730	217 973
Issued number of units	44 116	45 343
Reinvested number of units	5 203	7 938
Redeemed number of units	(38 101)	(63 524)
Ending number of units	218 948	207 730

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North Core Plus Bond Fund	—	—
Phillips, Hager & North Enhanced Long Bond Pension Trust	0.1	0.1
Phillips, Hager & North Enhanced Total Return Bond Fund	—	—
Phillips, Hager & North LifeTime 2020 Fund	—	—
Phillips, Hager & North LifeTime 2025 Fund	—	—
Phillips, Hager & North LifeTime 2030 Fund	—	—
Phillips, Hager & North LifeTime 2035 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2040 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2045 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2050 Fund	0.1	—
Phillips, Hager & North LifeTime 2055 Fund	—	—
Phillips, Hager & North Long Core Plus Bond Fund	0.1	0.1
Phillips, Hager & North Monthly Income Fund	2.0	2.4
Phillips, Hager & North PRISM Balanced Fund	2.5	2.2
Phillips, Hager & North Total Return Bond Fund	—	—
RBC Conservative Bond Pool	0.1	—
RBC Core Bond Pool	0.3	—

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



December 31, 2018

	December 31 2018	December 31 2017
RBC Core Plus Bond Pool	0.9	–
RBC Select Choices Balanced Portfolio	0.2	0.3
RBC Select Choices Growth Portfolio	0.2	0.3
Total	6.8	5.7

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	29 107	(75 022)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	29 107	(75 022)
Related amounts not set-off	(29 107)	29 107
Collateral (received) pledged	–	–
Net amount	–	(45 915)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	20 950	(1 460)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	20 950	(1 460)
Related amounts not set-off	(1 460)	1 460
Collateral (received) pledged	–	–
Net amount	19 490	–



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
116 513	Government of Canada	0.500	01-Dec-2050	\$ 109 706	\$ 107 898	
TOTAL CANADIAN BONDS				109 706	107 898	99.3
SHORT-TERM INVESTMENTS*				649	649	0.6
TOTAL INVESTMENTS				<u>\$ 110 355</u>	<u>108 547</u>	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					117	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>\$ 108 664</u>	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.66% to 1.70% and mature between January 4, 2019 and February 21, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 108 547	\$ 89 816
Cash	69	10
Dividends receivable, interest accrued and other assets	50	39
TOTAL ASSETS	108 666	89 865
LIABILITIES		
Accounts payable and accrued expenses	2	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2	1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 108 664	\$ 89 864
Investments at cost	\$ 110 355	\$ 85 196
NAV		
SERIES 0	\$ 108 664	\$ 89 864
NAV PER UNIT		
SERIES 0	\$ 10.89	\$ 11.57

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 2 897	\$ 1 697
Net realized gain (loss) on investments	150	(3 272)
Change in unrealized gain (loss) on investments	(6 428)	4 215
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(3 381)	2 640
TOTAL INCOME (LOSS)	(3 381)	2 640
EXPENSES (see notes – Fund Specific Information)		
Administration fees	20	14
Independent Review Committee costs	2	3
GST/HST	2	2
TOTAL EXPENSES	24	19
INCREASE (DECREASE) IN NAV	\$ (3 405)	\$ 2 621
INCREASE (DECREASE) IN NAV SERIES 0	\$ (3 405)	\$ 2 621
INCREASE (DECREASE) IN NAV PER UNIT SERIES 0	\$ (0.39)	\$ 0.39



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (3 405)	\$ 2 621
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	(2 369)	(1 060)
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(150)	3 272
Change in unrealized loss (gain) on investments	6 428	(4 215)
(Increase) decrease in accrued receivables	(11)	21
Increase (decrease) in accrued payables	1	—
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(40 239)	(120 774)
Proceeds from sale and maturity of investments	17 599	103 423
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(22 146)	(16 712)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	33 000	22 481
Cash paid on redemption of redeemable units	(10 795)	(5 823)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 22 205	\$ 16 658
Net increase (decrease) in cash for the period	59	(54)
Cash (bank overdraft), beginning of period	10	64
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 69	\$ 10
Interest received (paid)	\$ 517	\$ 658
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series 0	
	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 89 864	\$ 70 635
INCREASE (DECREASE) IN NAV	(3 405)	2 621
Early redemption fees	—	—
Proceeds from redeemable units issued	33 000	22 431
Reinvestments of distributions to holders of redeemable units	3 045	3 190
Redemption of redeemable units	(10 795)	(5 823)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	25 250	19 798
Distributions from net income	(3 045)	(3 190)
Distributions from net gains	—	—
Distributions from capital	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3 045)	(3 190)
NET INCREASE (DECREASE) IN NAV	18 800	19 229
NAV AT END OF PERIOD	\$ 108 664	\$ 89 864



December 31, 2018

General information (see note 1 in the generic notes)

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

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

Credit risk (%)

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

Rating	December 31 2018	December 31 2017
AAA	100.0	100.0
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Federal Bonds	99.3	99.9
Cash/Other	0.7	0.1
Total	100.0	100.0

Interest rate risk (%)

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

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	–	–
1 – 5 years	–	–
5 – 10 years	–	–
> 10 years	100.0	100.0
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 28.9% (December 31, 2017 – 30.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	107 898	–	107 898
Short-term investments	–	649	–	649
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	108 547	–	108 547
% of total portfolio	–	100.0	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	89 816	–	89 816
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	89 816	–	89 816
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series 0	n/a*	0.02%

* Series 0 unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	4 274
Non-capital losses	–



December 31, 2018

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series 0		
Opening units	7 765	6 007
Issued number of units	2 869	1 979
Reinvested number of units	280	276
Redeemed number of units	(938)	(497)
Ending number of units	9 976	7 765

Securities lending revenue (\$000s except %) (see note 7 in the generic notes)

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

	December 31 2018	December 31 2017
Fair value of securities loaned	9 647	—
Fair value of collateral received	9 840	—

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	—	—	—	100
RBC IS (paid)	—	—	—	(25)
Tax withheld	—	—	—	—
Fund revenue	—	—	—	75

Investments by other related investment funds (%) (see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North LifeTime 2025 Fund	7.6	9.9
Phillips, Hager & North LifeTime 2030 Fund	16.5	19.1
Phillips, Hager & North LifeTime 2035 Fund	21.8	21.6
Phillips, Hager & North LifeTime 2040 Fund	18.7	18.5
Phillips, Hager & North LifeTime 2045 Fund	27.8	26.2
Phillips, Hager & North LifeTime 2050 Fund	7.5	4.7
Phillips, Hager & North LifeTime 2055 Fund	—	—
Total	99.9	100.0

Revision of comparative information

Certain comparative figures were revised. The “Investments at cost” amount in the Statements of Financial Position was revised to reflect the cost adjustment on inflation-indexed bonds. As a result, amounts in “Net realized gain (loss) on investments” were reclassified to “Interest for distribution purposes” and “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income and Statements of Cash Flow. The net impact on “NAV,” “NAV per unit” and “Net cash provided by (used in) operating activities” is nil.



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES				
50 000	Bank of Montreal, Preferred Series 27, 4.000%	\$ 1 001	\$ 986	
36 400	Bank of Montreal, Preferred Series 29, 3.900%	797	696	
127 300	Bank of Montreal, Preferred Series 31, 3.800%	2 318	2 453	
94 800	Bank of Montreal, Preferred Series 38, 4.850%	2 435	2 409	
45 800	Bank of Montreal, Preferred Series 40, 4.500%	1 121	1 030	
19 500	Bank of Montreal, Preferred Series 42, 4.400%	442	429	
40 100	Bank of Nova Scotia, Preferred Series 36, 5.500%	1 072	1 023	
40 000	Brookfield Asset Management Inc., Preferred Series 2, 2.100%	701	566	
12 800	Brookfield Asset Management Inc., Preferred Series 26, 4.500%	229	230	
52 200	Brookfield Asset Management Inc., Preferred Series 32, 4.500%	1 313	1 145	
48 300	Brookfield Asset Management Inc., Preferred Series 37, 4.900%	912	1 018	
34 600	Brookfield Asset Management Inc., Preferred Series 40, 4.500%	865	723	
91 400	Brookfield Asset Management Inc., Preferred Series 42, 4.500%	2 285	1 920	
187 000	Brookfield Asset Management Inc., Preferred Series 46, 4.800%	4 705	4 769	
37 000	Brookfield Asset Management Inc., Preferred Series 48, 4.750%	925	904	
72 100	Canadian Imperial Bank of Commerce, Preferred Series 47, 4.500%	1 803	1 514	
40 000	Canadian Utilities Ltd., Preferred Series CC, 4.500%	890	800	
37 300	Canadian Utilities Ltd., Preferred Series DD, 4.500%	832	752	
33 000	Canadian Utilities Ltd., Preferred Series FF, 4.500%	825	858	
15 600	CU Inc., Preferred Series 4, 3.800%	338	228	
68 500	Enbridge Inc., Preferred Series 3, 4.000%	1 668	1 078	
20 900	Enbridge Inc., Preferred Series 11, 4.400%	523	348	
42 900	Enbridge Inc., Preferred Series 17, 5.150%	1 103	1 061	
12 600	Enbridge Inc., Preferred Series 19, 4.900%	315	277	
102 800	Enbridge Inc., Preferred Series B, 4.000%	2 383	1 578	
79 400	Enbridge Inc., Preferred Series D, 4.000%	1 968	1 326	
92 900	Enbridge Inc., Preferred Series F, 4.000%	2 318	1 635	

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES (cont.)				
132 500	Enbridge Inc., Preferred Series H, 4.000%	\$ 3 167	\$ 2 105	
28 900	Enbridge Inc., Preferred Series P, 4.000%	687	470	
153 700	Enbridge Inc., Preferred Series R, 4.000%	3 734	2 491	
64 325	Fortis Inc., Preferred Series J, 4.750%	1 554	1 397	
65 300	Fortis Inc., Preferred Series M, 4.100%	1 595	1 254	
123 700	Great-West Lifeco Inc., Preferred Series G, 5.200%	2 837	2 793	
96 800	Great-West Lifeco Inc., Preferred Series M, 5.800%	2 443	2 450	
154 900	Great-West Lifeco Inc., Preferred Series N, 3.650%	3 325	2 317	
72 600	Great-West Lifeco Inc., Preferred Series P, 5.400%	1 815	1 694	
21 700	Great-West Lifeco Inc., Preferred Series Q, 5.150%	537	485	
31 200	Great-West Lifeco Inc., Preferred Series S, 5.250%	780	735	
24 300	Great-West Lifeco Inc., Preferred Series T, 5.150%	608	543	
21 600	Manulife Financial Corporation, Preferred Series 1-7, 4.600%	465	472	
17 500	Manulife Financial Corporation, Preferred Series 5, 4.400%	356	354	
11 200	Manulife Financial Corporation, Preferred Series 9, 4.400%	269	232	
90 300	Manulife Financial Corporation, Preferred Series 19, 3.800%	2 258	1 630	
76 800	Manulife Financial Corporation, Preferred Series 21, 5.600%	2 076	1 967	
99 000	Manulife Financial Corporation, Preferred Series 23, 4.850%	2 549	2 417	
19 000	Power Financial Corp., Preferred Series T, 4.200%	475	364	
100 600	Royal Bank of Canada, Preferred Series AC, 4.600%*	2 452	2 524	
183 200	Royal Bank of Canada, Preferred Series BD, 3.600%*	4 448	3 890	
48 880	Royal Bank of Canada, Preferred Series BF, 3.600%*	1 103	1 032	
52 200	Sun Life Financial Inc., Preferred Series 3, 4.450%	1 105	1 049	
130 500	Toronto-Dominion Bank, Preferred Series 3, 3.800%	3 093	2 551	
85 300	Toronto-Dominion Bank, Preferred Series 5, 3.750%	1 928	1 642	
40 800	Toronto-Dominion Bank, Preferred Series 7, 3.600%	956	867	
139 400	Toronto-Dominion Bank, Preferred Series 12, 5.500%	3 786	3 584	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES (cont.)				
75 200	Toronto-Dominion Bank, Preferred Series 14, 4.850%	\$ 1 908	\$ 1 915	
80 200	TransCanada Corp., Preferred Series 3, 4.000%	1 594	1 088	
34 100	TransCanada Corp., Preferred Series 5, 4.400%	765	484	
90 500	TransCanada Corp., Preferred Series 11, 3.800%	2 252	1 830	
197 200	TransCanada Corp., Preferred Series 13, 5.500%	5 274	5 011	
25 600	Westcoast Energy Inc., Preferred Series 10, 5.250%	669	645	
98 950	Westcoast Energy Inc., Preferred Series 12, 5.200%	2 564	2 484	
TOTAL PREFERRED EQUITIES		101 514	88 522	5.1
COMMON EQUITIES				
Communication Services				
538 300	Quebecor Inc., Class B	11 280	15 471	
135 580	Rogers Communications Inc., Class B	8 614	9 485	
855 500	Shaw Communications Inc., Class B	23 866	21 139	
196 100	TELUS Corp.	9 421	8 874	
		53 181	54 969	3.2
Consumer Discretionary				
335 100	Dollarama Inc.	13 002	10 881	
234 800	Gildan Activewear Inc., Class A	9 133	9 730	
61 500	Restaurant Brands International Inc.	4 872	4 386	
		27 007	24 997	1.4
Consumer Staples				
276 500	Alimentation Couche-Tard Inc.	16 231	18 777	
		16 231	18 777	1.1
Energy				
1 181 832	ARC Resources Ltd.	15 654	9 573	
583 000	Canadian Natural Resources Ltd.	24 197	19 204	
742 700	Cenovus Energy Inc.	9 131	7 130	
1 227 780	Enbridge Inc.	60 716	52 070	
428 739	Keyera Corp.	13 476	11 066	
355 400	Pembina Pipeline Corp.	15 384	14 397	
675 900	PrairieSky Royalty Ltd.	16 437	11 943	
387 900	Suncor Energy Inc.	16 971	14 791	
468 278	Tourmaline Oil Corp.	10 997	7 951	
424 686	TransCanada Corp.	23 716	20 703	
2 159 600	Whitecap Resources Inc.	16 499	9 394	
		223 178	178 222	10.3
Financials				
361 000	Bank of Montreal	34 667	32 198	
704 700	Bank of Nova Scotia	54 242	47 955	
612 800	Brookfield Asset Management Inc., Class A	29 502	32 062	
124 900	Canadian Imperial Bank of Commerce	13 599	12 700	
1 536 300	Element Fleet Management Corp.	13 991	10 616	
22 800	Fairfax Financial Holdings Ltd.	14 535	13 702	
128 366	Intact Financial Corp.	12 800	12 733	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
1 172 400	Manulife Financial Corporation	\$ 26 816	\$ 22 709	
812 110	Royal Bank of Canada*	69 543	75 884	
375 700	Sun Life Financial Inc.	19 606	17 015	
1 013 800	Toronto-Dominion Bank	64 171	68 796	
		353 472	346 370	20.0
Industrials				
383 100	Canadian National Railway Co.	37 745	38 735	
75 300	Canadian Pacific Railway Ltd.	17 562	18 241	
219 100	Finning International Inc.	6 281	5 215	
114 726	Ritchie Bros. Auctioneers Inc.	4 797	5 124	
211 400	SNC-Lavalin Group Inc.	11 753	9 707	
289 300	Stantec Inc.	9 349	8 653	
141 350	Thomson Reuters Corp.	7 902	9 319	
128 100	Waste Connections Inc.	10 854	12 980	
		106 243	107 974	6.2
Information Technology				
115 800	CGI Group Inc., Class A	7 667	9 669	
9 200	Constellation Software Inc.	7 119	8 040	
147 900	Open Text Corp.	6 311	6 582	
		21 097	24 291	1.4
Materials				
174 000	Agnico Eagle Mines Ltd.	8 954	9 587	
176 100	CCL Industries, Class B	9 937	8 816	
422 000	First Quantum Minerals Ltd.	7 596	4 659	
43 100	Franco-Nevada Corp.	3 787	4 126	
152 400	Kirkland Lake Gold Ltd.	3 517	5 425	
302 036	Nutrien Ltd.	19 517	19 367	
		53 308	51 980	3.0
Real Estate				
672 500	Brookfield Property Partners LP	17 846	14 808	
514 630	Choice Properties Real Estate Investment Trust	6 154	5 929	
646 700	First Capital Realty Inc.	13 018	12 190	
		37 018	32 927	1.9
Utilities				
279 350	Brookfield Infrastructure Partners LP	13 036	13 171	
274 800	Fortis Inc.	11 641	12 506	
		24 677	25 677	1.5
		915 412	866 184	50.0
TOTAL COMMON EQUITIES				
UNDERLYING FUNDS				
6 876 615	Phillips, Hager & North High Yield Bond Fund*	79 204	75 474	
9 430 626	RBC High Yield Bond Fund*	100 641	95 377	
		179 845	170 851	9.9
TOTAL UNDERLYING FUNDS				

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
CORPORATE						
376	Access Justice Durham Ltd.	5.015	31-Aug-2039	\$ 413	\$ 424	
685	Access Prairies Partnership	4.232	01-Mar-2048	685	701	
490	Aéroports de Montréal	6.950	16-Apr-2032	664	625	
475	Aéroports de Montréal	6.550	11-Oct-2033	678	644	
635	Aéroports de Montréal	5.170	17-Sep-2035	808	768	
455	Aéroports de Montréal	5.670	16-Oct-2037	644	591	
225	Aéroports de Montréal	3.919	26-Sep-2042	240	237	
360	Aéroports de Montréal	3.918	12-Jun-2045	408	380	
1 440	Aéroports de Montréal	3.360	24-Apr-2047	1 479	1 384	
2 040	Alberta Powerline LP	3.340	01-Jun-2032	2 040	2 034	
2 040	Alberta Powerline LP	3.351	01-Sep-2032	2 040	2 035	
836	Alectra Inc.	3.033	25-Jul-2022	832	846	
665	Alliance Pipeline LP	4.928	16-Dec-2019	718	678	
1 895	Alliance Pipeline LP	7.181	30-Jun-2023	2 267	2 100	
393	Alliance Pipeline LP	5.546	31-Dec-2023	436	409	
1 823	Alliance Pipeline LP	6.765	31-Dec-2025	2 168	2 069	
1 171	Alliance Pipeline LP	7.217	31-Dec-2025	1 422	1 356	
1 380	AltaLink Investments LP	3.265	05-Jun-2020	1 383	1 391	
1 709	AltaLink Investments LP	2.244	07-Mar-2022	1 709	1 679	
630	AltaLink LP	3.621	17-Sep-2020	644	641	
4 500	Bank of Montreal	2.100	06-Oct-2020	4 447	4 461	
1 775	Bank of Montreal	1.880	31-Mar-2021	1 737	1 744	
240	Bank of Montreal	3.400	23-Apr-2021	244	244	
1 965	Bank of Montreal	2.270	11-Jul-2022	1 918	1 928	
1 980	Bank of Montreal	2.890	20-Jun-2023	1 971	1 979	
1 860	Bell Canada	4.950	19-May-2021	1 945	1 943	
1 365	Bell Canada	2.000	01-Oct-2021	1 320	1 327	
385	Bell Canada	3.000	03-Oct-2022	383	382	
1 475	Bell Canada	2.700	27-Feb-2024	1 413	1 424	
405	Bell Canada	3.600	29-Sep-2027	392	398	
1 005	Bow Centre Street LP	3.690	14-Jun-2021	1 001	997	
389	Bow Centre Street LP	3.693	14-Jun-2022	387	384	
1 750	Bow Centre Street LP	3.797	13-Jun-2023	1 750	1 716	
1 070	Bridging North America GP	4.023	31-May-2038	1 082	1 129	
5 490	Brookfield Asset Management Inc.	3.950	09-Apr-2019	5 542	5 512	
2 029	Brookfield Asset Management Inc.	5.040	08-Mar-2024	2 119	2 139	
5 230	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	5 303	5 284	
4 620	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	4 894	4 782	
510	Bruce Power LP	2.844	23-Jun-2021	510	508	
2 720	Bruce Power LP	3.969	23-Jun-2026	2 872	2 769	
290	Bruce Power LP	4.010	21-Jun-2029	292	291	
645	Bruce Power LP	4.132	21-Jun-2033	645	630	
1 340	Cameco Corp.	5.670	02-Sep-2019	1 504	1 364	
980	Cameco Corp.	3.750	14-Nov-2022	986	974	
1 765	Cameco Corp.	4.190	24-Jun-2024	1 761	1 762	
1 485	Canadian Imperial Bank of Commerce	1.660	20-Jan-2020	1 467	1 473	
1 135	Canadian Imperial Bank of Commerce	1.640	12-Jul-2021	1 100	1 104	
235	Canadian Utilities Ltd.	9.400	01-May-2023	343	296	
825	Clover LP	4.216	30-Jun-2034	825	860	
3 220	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	3 346	3 271	
1 086	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	1 089	1 081	
555	CU Inc.	9.920	01-Apr-2022	806	675	
1 150	CU Inc.	6.215	06-Mar-2024	1 362	1 332	
545	CU Inc.	3.950	23-Nov-2048	545	556	
340	CU Inc.	4.094	19-Oct-2054	340	351	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
541	Dufferin Wind Power Inc.	4.317	30-Nov-2033	\$ 541	\$ 549	
340	Ellisdon Infrastructure RIH General Partnership	3.930	31-Oct-2038	340	347	
735	Emera Inc.	4.830	02-Dec-2019	807	748	
1 470	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	1 516	1 507	
1 147	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	1 299	1 212	
565	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	565	539	
1 000	Enbridge Gas Distribution Inc.	6.650	03-Nov-2027	1 270	1 232	
265	Enbridge Inc.	4.100	22-Feb-2019	266	263	
2 440	Enbridge Inc.	4.260	01-Feb-2021	2 522	2 500	
671	Enbridge Pipelines Inc.	4.450	06-Apr-2020	685	685	
1 240	Enbridge Pipelines Inc.	3.790	17-Aug-2023	1 309	1 275	
3 335	Enbridge Pipelines Inc.	3.450	29-Sep-2025	3 363	3 341	
1 480	Enbridge Pipelines Inc.	6.050	12-Feb-2029	1 882	1 727	
185	Enbridge Pipelines Inc.	5.330	06-Apr-2040	235	205	
1 070	Enbridge Pipelines Inc.	4.130	09-Aug-2046	1 071	1 003	
1 922	Enbridge Southern Lights LP	4.014	30-Jun-2040	1 922	1 898	
515	Enwave Energy Corp.	3.943	07-Dec-2037	515	488	
950	Fair Hydro Trust	3.520	15-May-2038	950	971	
361	FortisBC Energy Inc.	6.500	01-May-2034	461	478	
840	Fortis Inc.	2.850	12-Dec-2023	821	828	
596	Grand Renewable Solar LP	3.926	31-Jan-2035	596	597	
315	Greater Toronto Airports Authority	6.450	03-Dec-2027	420	400	
140	Greater Toronto Airports Authority	7.100	04-Jun-2031	207	193	
515	Greater Toronto Airports Authority	6.470	02-Feb-2034	736	693	
1 245	Greater Toronto Airports Authority	3.260	01-Jun-2037	1 217	1 206	
310	Greater Toronto Airports Authority	5.630	07-Jun-2040	409	406	
625	Greater Toronto Airports Authority	4.530	02-Dec-2041	762	719	
2 750	H2O Power LP	3.310	30-Nov-2029	2 750	2 645	
451	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	517	530	
785	Hydro One Inc.	1.620	30-Apr-2020	775	776	
1 627	Hydro One Inc.	4.400	01-Jun-2020	1 678	1 668	
2 955	Hydro One Inc.	1.840	24-Feb-2021	2 880	2 904	
660	Hydro One Inc.	2.570	25-Jun-2021	660	658	
660	Hydro One Inc.	2.970	26-Jun-2025	660	654	
1 000	Hydro One Inc.	2.770	24-Feb-2026	958	974	
530	Hydro One Inc.	6.930	01-Jun-2032	781	705	
1 345	Hydro One Inc.	6.350	31-Jan-2034	1 751	1 734	
195	Hydro One Inc.	5.490	16-Jul-2040	236	240	
335	Hydro One Inc.	3.630	25-Jun-2049	335	318	
325	Hydro One Inc.	3.790	31-Jul-2062	338	311	
1 425	Inter Pipeline Ltd.	3.448	20-Jul-2020	1 444	1 436	
1 022	Kingston Solar LP	3.571	31-Jul-2035	1 022	997	
335	Loblaw Companies Ltd.	3.918	10-Jun-2024	335	341	
850	Loblaw Companies Ltd.	4.488	11-Dec-2028	850	877	
200	Lower Mattagami Energy LP	4.331	18-May-2021	210	208	
1 225	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	1 225	1 249	
623	Maritimes & Northeast Pipeline LP	6.900	30-Nov-2019	701	639	
1 368	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	1 368	1 375	
420	Mosaic Transit Partners GP	4.111	28-Feb-2038	420	427	
260	Mosaic Transit Partners GP	4.470	28-Feb-2053	260	261	
665	Mountain View Partners GP	3.974	31-Mar-2051	665	634	
2 076	North Battleford Power LP	4.958	31-Dec-2032	2 156	2 275	
4 570	North West Redwater Partnership	2.800	01-Jun-2027	4 389	4 331	
2 470	North West Redwater Partnership	4.250	01-Jun-2029	2 461	2 578	
840	North West Redwater Partnership	3.650	01-Jun-2035	830	806	
595	North West Redwater Partnership	4.750	01-Jun-2037	591	643	
368	Northland Power Solar Finance One LP	4.397	30-Jun-2032	368	383	
760	Nouvelle Autoroute 30 Financement Inc.	3.742	31-Dec-2032	760	771	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
750	Nouvelle Autoroute 30 Financement Inc.	3.750	31-Mar-2033	\$ 750	\$ 766	
430	Nova Scotia Power Inc.	8.850	19-May-2025	619	557	
1 415	Ontario Power Generation Inc.	3.315	04-Oct-2027	1 420	1 409	
381	Ottawa MacDonald-Cartier International Airport Authority	6.973	25-May-2032	517	481	
853	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	922	933	
910	PSS Generating Station LP	4.795	24-Oct-2067	910	1 041	
1 545	Ridley Grain Ltd.	5.227	01-Aug-2024	1 545	1 611	
1 035	Rogers Communications Inc.	4.700	29-Sep-2020	1 075	1 067	
1 330	Rogers Communications Inc.	5.340	22-Mar-2021	1 411	1 395	
1 575	Royal Bank of Canada*	2.860	04-Mar-2021	1 581	1 581	
3 945	Royal Bank of Canada*	2.030	15-Mar-2021	3 872	3 891	
370	Royal Bank of Canada*	1.583	13-Sep-2021	357	359	
2 650	Royal Bank of Canada*	2.949	01-May-2023	2 635	2 656	
1 394	SEC LP and Arci Ltd.	5.188	29-Aug-2033	1 394	1 458	
270	SGTP Highway Bypass LP	4.105	31-Jan-2045	270	281	
405	Sun Life Financial Inc.	2.770	13-May-2024	410	405	
1 880	Teranet Holdings LP	4.807	16-Dec-2020	2 003	1 934	
3 000	Toronto-Dominion Bank	1.693	02-Apr-2020	2 959	2 971	
9 045	Toronto-Dominion Bank	2.045	08-Mar-2021	8 894	8 930	
4 190	Toronto-Dominion Bank	1.680	08-Jun-2021	4 088	4 105	
390	Toronto-Dominion Bank	1.994	23-Mar-2022	379	381	
2 335	TransAlta OCP LP	4.509	05-Aug-2030	2 335	2 404	
2 080	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	2 102	1 989	
2 145	TransCanada PipeLines Ltd.	4.330	16-Sep-2047	2 145	2 036	
2 085	TransEd Partners GP	3.951	30-Sep-2050	1 928	1 977	
1 800	Union Gas Ltd.	4.850	25-Apr-2022	2 020	1 915	
195	Vancouver Airport Authority	3.857	10-Nov-2045	218	208	
230	Vancouver Airport Authority	3.656	23-Nov-2048	230	237	
347	Vancouver Airport Fuel Facilities Corp.	3.653	20-Mar-2051	347	364	
390	Westcoast Energy Inc.	5.600	16-Jan-2019	430	390	
3 780	Westcoast Energy Inc.	4.570	02-Jul-2020	3 877	3 876	
725	Westcoast Energy Inc.	3.883	28-Oct-2021	748	742	
630	Westcoast Energy Inc.	3.770	08-Dec-2025	643	645	
285	Westcoast Energy Inc.	6.750	15-Dec-2027	367	347	
540	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	530	547	
365	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	454	455	
				196 765	194 764	11.2
FEDERAL						
7 857	Canada Housing Trust No. 1	1.250	15-Jun-2021	7 861	7 709	
2 352	Canada Housing Trust No. 1	3.800	15-Jun-2021	2 477	2 450	
4 318	Canada Housing Trust No. 1	1.150	15-Dec-2021	4 232	4 201	
6 536	Canada Housing Trust No. 1	1.500	15-Dec-2021	6 543	6 424	
8 626	Canada Housing Trust No. 1	2.650	15-Mar-2022	9 197	8 762	
11 178	Canada Housing Trust No. 1	1.750	15-Jun-2022	11 167	11 019	
10 761	Canada Housing Trust No. 1	2.400	15-Dec-2022	10 880	10 831	
16 954	Canada Housing Trust No. 1	2.350	15-Jun-2023	16 901	17 010	
899	Canada Housing Trust No. 1	2.900	15-Jun-2024	909	925	
1 525	Canada Housing Trust No. 1	2.250	15-Dec-2025	1 533	1 509	
763	Canada Housing Trust No. 1	1.900	15-Sep-2026	741	734	
6 313	Canada Housing Trust No. 1	2.350	15-Jun-2027	6 280	6 256	
1 257	Canada Housing Trust No. 1	2.350	15-Mar-2028	1 244	1 241	
850	Canada Housing Trust No. 1	2.650	15-Mar-2028	842	860	
1 327	Canada Housing Trust No. 1	2.650	15-Dec-2028	1 314	1 341	
3 295	Government of Canada	1.750	01-Sep-2019	3 287	3 294	
2 830	Government of Canada	1.500	01-Mar-2020	2 827	2 819	
4 624	Government of Canada	1.750	01-May-2020	4 612	4 619	
5 636	Government of Canada	2.250	01-Feb-2021	5 630	5 680	

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December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
FEDERAL (cont.)						
1 365	Government of Canada	0.750	01-Mar-2021	\$ 1 331	\$ 1 333	
15 907	Government of Canada	3.250	01-Jun-2021	17 209	16 424	
4 910	Government of Canada	0.750	01-Sep-2021	4 699	4 769	
698	Government of Canada	0.500	01-Mar-2022	664	669	
955	Government of Canada	2.500	01-Jun-2024	956	984	
1 345	Government of Canada	1.500	01-Jun-2026	1 269	1 305	
2 105	Government of Canada	5.750	01-Jun-2029	2 801	2 844	
880	Government of Canada	5.750	01-Jun-2033	1 245	1 282	
5	Government of Canada	5.000	01-Jun-2037	7	7	
185	Government of Canada	4.000	01-Jun-2041	238	244	
1 455	Government of Canada	3.500	01-Dec-2045	1 843	1 841	
715	Government of Canada	1.250	01-Dec-2047	845	805	
22 199	Government of Canada	2.750	01-Dec-2048	24 306	24 964	
2 687	Government of Canada	0.500	01-Dec-2050	2 588	2 488	
2 886	Government of Canada	2.000	01-Dec-2051	2 702	2 762	
				161 180	160 405	9.3
PROVINCIAL/MUNICIPAL						
420	City of Montreal	2.750	01-Sep-2026	419	414	
2 559	City of Montreal	3.000	01-Sep-2027	2 547	2 555	
3 088	City of Montreal	3.150	01-Sep-2028	3 072	3 107	
527	City of Ottawa	3.100	27-Jul-2048	505	494	
2 400	City of Toronto	3.500	06-Dec-2021	2 495	2 477	
500	City of Toronto	3.500	02-Jun-2036	502	505	
1 208	First Nations Finance Authority	3.050	01-Jun-2028	1 195	1 207	
10	Hospital for Sick Children	5.217	16-Dec-2049	10	13	
1 070	Hospital for Sick Children	3.416	07-Dec-2057	1 070	1 034	
3 536	Ontario Electricity Financial Corp.	8.500	26-May-2025	5 118	4 719	
6 908	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	10 267	9 408	
1 147	Ontario School Boards Financing Corp.	7.200	09-Jun-2025	1 297	1 317	
521	Ontario School Boards Financing Corp.	5.900	11-Oct-2027	590	587	
362	Ontario School Boards Financing Corp.	5.376	25-Jun-2032	413	410	
1 530	OPB Finance Trust	1.880	24-Feb-2022	1 486	1 502	
750	OPB Finance Trust	2.980	25-Jan-2027	752	752	
2 065	Province of Alberta	2.350	01-Jun-2025	2 099	2 025	
6 085	Province of Alberta	2.200	01-Jun-2026	5 816	5 855	
417	Province of Alberta	3.900	01-Dec-2033	455	453	
1 596	Province of Alberta	3.450	01-Dec-2043	1 781	1 637	
4 458	Province of Alberta	3.300	01-Dec-2046	4 712	4 456	
834	Province of Manitoba	4.050	05-Sep-2045	911	935	
5 750	Province of Manitoba	2.850	05-Sep-2046	5 280	5 226	
1 669	Province of New Brunswick	3.650	03-Jun-2024	1 846	1 756	
484	Province of New Brunswick	4.800	03-Jun-2041	565	589	
1 136	Province of New Brunswick	3.550	03-Jun-2043	1 101	1 160	
2 908	Province of New Brunswick	3.800	14-Aug-2045	3 086	3 101	
2 294	Province of Newfoundland and Labrador	3.300	17-Oct-2046	2 147	2 217	
5 448	Province of Ontario	3.150	02-Jun-2022	5 629	5 593	
5 434	Province of Ontario	2.600	08-Sep-2023	5 432	5 465	
857	Province of Ontario	7.500	07-Feb-2024	1 193	1 057	
975	Province of Ontario	3.500	02-Jun-2024	1 070	1 022	
3 397	Province of Ontario	2.600	02-Jun-2025	3 416	3 391	
5 657	Province of Ontario	8.500	02-Dec-2025	8 534	7 695	
1 545	Province of Ontario	2.400	02-Jun-2026	1 505	1 513	
4 336	Province of Ontario	2.600	02-Jun-2027	4 186	4 277	
705	Province of Ontario	2.900	02-Jun-2028	691	710	
13 359	Province of Ontario	6.200	02-Jun-2031	18 639	17 847	
11 335	Province of Ontario	5.600	02-Jun-2035	15 623	14 928	
1 000	Province of Ontario	4.700	02-Jun-2037	1 272	1 215	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
8 100	Province of Ontario	4.600	02-Jun-2039	\$ 10 600	\$ 9 833	
17 940	Province of Ontario	3.500	02-Jun-2043	19 152	18 835	
960	Province of Ontario	3.450	02-Jun-2045	1 004	1 002	
2 897	Province of Ontario	2.900	02-Dec-2046	2 821	2 734	
4 638	Province of Ontario	2.800	02-Jun-2048	4 396	4 299	
6 331	Province of Ontario	2.900	02-Jun-2049	6 086	5 997	
245	Province of Quebec	4.250	01-Dec-2021	274	259	
4 847	Province of Quebec	9.375	16-Jan-2023	7 223	6 138	
8 907	Province of Quebec	8.500	01-Apr-2026	13 513	12 269	
1 817	Province of Quebec	2.750	01-Sep-2027	1 817	1 820	
2 029	Province of Quebec	2.750	01-Sep-2028	1 990	2 026	
2 840	Province of Quebec	6.000	01-Oct-2029	3 752	3 659	
477	Province of Quebec	3.500	01-Dec-2045	520	507	
728	Province of Quebec	3.500	01-Dec-2048	791	780	
2 267	Province of Saskatchewan	2.550	02-Jun-2026	2 258	2 238	
798	Province of Saskatchewan	6.400	05-Sep-2031	1 193	1 081	
1 811	Province of Saskatchewan	3.900	02-Jun-2045	2 235	2 010	
1 185	Province of Saskatchewan	2.750	02-Dec-2046	1 156	1 071	
1 350	Queen's University	6.100	19-Nov-2032	1 761	1 723	
385	Trillium Health Partners Volunteers	3.702	20-Dec-2058	385	383	
582	University of British Columbia	6.650	01-Dec-2031	779	778	
				212 433	204 066	11.8
TOTAL CANADIAN BONDS				570 378	559 235	32.3
UNITED KINGDOM BONDS						
915	Heathrow Funding Ltd. CAD	3.250	21-May-2025	915	912	
2 415	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	2 420	2 426	
TOTAL UNITED KINGDOM BONDS				3 335	3 338	0.2
UNITED STATES BONDS						
1 995	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	1 885	1 895	
2 875	AT&T Inc. CAD	4.000	25-Nov-2025	2 867	2 867	
1 935	AT&T Inc. CAD	5.100	25-Nov-2048	1 925	1 872	
1 415	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	1 396	1 414	
395	The Walt Disney Co. CAD	2.758	07-Oct-2024	392	389	
565	United Parcel Service Inc. CAD	2.125	21-May-2024	564	539	
1 271	United States Treasury	3.125	15-May-2048	1 722	1 770	
1 660	Wells Fargo & Co. CAD	2.222	15-Mar-2021	1 625	1 633	
TOTAL UNITED STATES BONDS				12 376	12 379	0.7
TOTAL BONDS				586 089	574 952	33.2
MORTGAGE-BACKED SECURITIES						
31	Peoples Trust	4.200	01-Oct-2019	31	32	
TOTAL MORTGAGE-BACKED SECURITIES				31	32	–
SHORT-TERM INVESTMENTS[†]				28 281	28 281	1.6
TOTAL INVESTMENTS				1 811 172	1 728 822	99.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	196	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	(341)	–
TOTAL PORTFOLIO				\$ 1 811 172	1 728 677	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					4 266	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 1 732 943	100.0

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



December 31, 2018

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 3 805 Sold CAD 5 044 @ 0.7544	01-Feb-2019	\$ 147
Bought USD 1 325 Sold CAD 1 758 @ 0.7537	01-Feb-2019	49
		<u>\$ 196</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 4 342 Sold USD 3 317 @ 1.3089	01-Feb-2019	\$ (183)
Bought CAD 3 762 Sold USD 2 874 @ 1.3090	01-Feb-2019	(158)
		<u>\$ (341)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (145)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.95% to 2.13% and mature between January 2, 2019 and January 7, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 1 728 822	\$ 2 209 276
Cash	2 036	2 621
Due from investment dealers	3 377	1 581
Subscriptions receivable	193	382
Unrealized gain on foreign exchange contracts	196	55
Dividends receivable, interest accrued and other assets	5 518	6 207
TOTAL ASSETS	1 740 142	2 220 122
LIABILITIES		
Due to investment dealers	1 706	264
Redemptions payable	2 785	2 227
Unrealized loss on foreign exchange contracts	341	7
Accounts payable and accrued expenses	2 367	3 075
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	7 199	5 573
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 732 943	\$ 2 214 549
Investments at cost	\$ 1 811 172	\$ 2 133 989
NAV		
SERIES A	\$ 1 191 954	\$ 1 594 244
ADVISOR SERIES	\$ 50 680	\$ 67 994
SERIES H	\$ 33 765	\$ 49 161
SERIES D	\$ 110 998	\$ 135 358
SERIES F	\$ 215 992	\$ 199 701
SERIES I	\$ 5 192	\$ 8 489
SERIES O	\$ 124 362	\$ 159 602
NAV PER UNIT		
SERIES A	\$ 8.57	\$ 9.62
ADVISOR SERIES	\$ 8.57	\$ 9.63
SERIES H	\$ 8.68	\$ 9.73
SERIES D	\$ 9.28	\$ 10.33
SERIES F	\$ 9.51	\$ 10.56
SERIES I	\$ 9.62	\$ 10.66
SERIES O	\$ 10.20	\$ 11.24

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 36 565	\$ 37 864
Interest for distribution purposes	21 340	24 871
Income from investment trusts	10 733	14 380
Derivative income	331	1 343
Net realized gain (loss) on investments	7 935	75 538
Change in unrealized gain (loss) on investments	(157 830)	(17 162)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(80 926)	136 834
Securities lending revenue (see note 7 in the generic notes)	183	229
Net gain (loss) on foreign cash balances	(37)	(74)
TOTAL OTHER INCOME (LOSS)	146	155
TOTAL INCOME (LOSS)	(80 780)	136 989
EXPENSES (see notes – Fund Specific Information)		
Management fees	27 071	32 430
Administration fees	1 910	2 214
Independent Review Committee costs	2	3
GST/HST	2 772	3 298
Transaction costs	1 625	2 249
TOTAL EXPENSES	33 380	40 194
INCREASE (DECREASE) IN NAV	\$ (114 160)	\$ 96 795
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (84 272)	\$ 66 859
ADVISOR SERIES	\$ (3 596)	\$ 2 935
SERIES H	\$ (2 366)	\$ 2 200
SERIES D	\$ (6 654)	\$ 6 584
SERIES F	\$ (10 896)	\$ 8 183
SERIES I	\$ (319)	\$ 465
SERIES O	\$ (6 057)	\$ 9 569
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (0.56)	\$ 0.38
ADVISOR SERIES	\$ (0.56)	\$ 0.38
SERIES H	\$ (0.52)	\$ 0.40
SERIES D	\$ (0.53)	\$ 0.50
SERIES F	\$ (0.51)	\$ 0.54
SERIES I	\$ (0.45)	\$ 0.54
SERIES O	\$ (0.46)	\$ 0.65

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



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (114 160)	\$ 96 795
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	(30)
Non-cash distributions from underlying funds	(10 381)	(13 836)
Net realized loss (gain) on investments	(6 248)	(73 450)
Change in unrealized loss (gain) on investments	157 830	17 162
(Increase) decrease in accrued receivables	689	588
Increase (decrease) in accrued payables	(708)	(277)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(2 475 659)	(3 144 660)
Proceeds from sale and maturity of investments	2 814 751	3 363 565
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	366 114	245 857
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	102 489	195 730
Cash paid on redemption of redeemable units	(456 130)	(428 278)
Distributions paid to holders of redeemable units	(13 058)	(14 487)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (366 699)	\$ (247 035)
Net increase (decrease) in cash for the period	(585)	(1 178)
Cash (bank overdraft), beginning of period	2 621	3 799
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2 036	\$ 2 621
Interest received (paid)	\$ 21 910	\$ 25 409
Dividends received, net of withholding taxes	\$ 36 684	\$ 37 884

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series H		Series D	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 594 244	\$ 1 790 651	\$ 67 994	\$ 81 979	\$ 49 161	\$ 59 545	\$ 135 358	\$ 135 614
INCREASE (DECREASE) IN NAV	(84 272)	66 859	(3 596)	2 935	(2 366)	2 200	(6 654)	6 584
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	67 758	139 692	2 506	4 638	347	784	10 561	16 621
Reinvestments of distributions to holders of redeemable units	65 854	78 062	1 970	2 329	1 481	1 753	4 478	4 774
Redemption of redeemable units	(380 079)	(395 776)	(15 157)	(20 179)	(12 670)	(12 452)	(26 304)	(21 408)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(246 467)	(178 022)	(10 681)	(13 212)	(10 842)	(9 915)	(11 265)	(13)
Distributions from net income	(25 372)	(15 267)	(1 077)	(664)	(776)	(478)	(2 284)	(1 223)
Distributions from net gains	(8 822)	(52 621)	(374)	(2 289)	(270)	(1 648)	(794)	(4 214)
Distributions from capital	(37 357)	(17 356)	(1 586)	(755)	(1 142)	(543)	(3 363)	(1 390)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(71 551)	(85 244)	(3 037)	(3 708)	(2 188)	(2 669)	(6 441)	(6 827)
NET INCREASE (DECREASE) IN NAV	(402 290)	(196 407)	(17 314)	(13 985)	(15 396)	(10 384)	(24 360)	(256)
NAV AT END OF PERIOD	\$ 1 191 954	\$ 1 594 244	\$ 50 680	\$ 67 994	\$ 33 765	\$ 49 161	\$ 110 998	\$ 135 358

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 199 701	\$ 117 816	\$ 8 489	\$ 9 571	\$ 159 602	\$ 169 414	\$ 2 214 549	\$ 2 364 590
INCREASE (DECREASE) IN NAV	(10 896)	8 183	(319)	465	(6 057)	9 569	(114 160)	96 795
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	82 894	109 059	113	961	10 533	9 228	174 712	280 983
Reinvestments of distributions to holders of redeemable units	8 066	5 479	300	351	7 118	8 030	89 267	100 778
Redemption of redeemable units	(52 367)	(32 647)	(3 022)	(2 404)	(39 501)	(28 466)	(529 100)	(513 332)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	38 593	81 891	(2 609)	(1 092)	(21 850)	(11 208)	(265 121)	(131 571)
Distributions from net income	(4 045)	(1 467)	(131)	(81)	(2 600)	(1 464)	(36 285)	(20 644)
Distributions from net gains	(1 406)	(5 055)	(45)	(281)	(904)	(5 045)	(12 615)	(71 153)
Distributions from capital	(5 955)	(1 667)	(193)	(93)	(3 829)	(1 664)	(53 425)	(23 468)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(11 406)	(8 189)	(369)	(455)	(7 333)	(8 173)	(102 325)	(115 265)
NET INCREASE (DECREASE) IN NAV	16 291	81 885	(3 297)	(1 082)	(35 240)	(9 812)	(481 606)	(150 041)
NAV AT END OF PERIOD	\$ 215 992	\$ 199 701	\$ 5 192	\$ 8 489	\$ 124 362	\$ 159 602	\$ 1 732 943	\$ 2 214 549

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



December 31, 2018

Series H and Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016. Existing investors who hold Series H and Series I units of the Fund can continue to make additional investments into these series.

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 43.0% (December 31, 2017 – 42.3%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	22.2	33.3
AA	30.0	22.3
A	12.0	11.4
BBB	15.6	10.9
BB	10.1	10.2
B	9.8	9.0
CCC	0.2	2.7
Unrated	0.1	0.2
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Canadian Equities	50.0	51.2
Bonds	43.0	40.9
Preferred Equities	5.1	5.4
Cash/Other	1.9	2.5
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 33.2% (December 31, 2017 – 42.3%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	2.9	1.2
1 – 5 years	39.8	39.4
5 – 10 years	21.9	31.2
> 10 years	35.4	28.2
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.4% (December 31, 2017 – 3.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.6	+ or - 0.7

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	954 706	–	–	954 706
Underlying funds	170 851	–	–	170 851
Fixed-income				
and debt securities	–	574 984	–	574 984
Short-term investments	–	28 281	–	28 281
Derivatives – assets	–	196	–	196
Derivatives – liabilities	–	(341)	–	(341)
Total financial instruments	1 125 557	603 120	–	1 728 677
% of total portfolio	65.1	34.9	–	100.0



December 31, 2018

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 250 838	–	–	1 250 838
Underlying funds	218 126	–	–	218 126
Fixed-income and debt securities	–	718 098	–	718 098
Short-term investments	–	22 214	–	22 214
Derivatives – assets	–	55	–	55
Derivatives – liabilities	–	(7)	–	(7)
Total financial instruments	1 468 964	740 360	–	2 209 324
% of total portfolio	66.5	33.5	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	1.65%	0.10%
Advisor Series	1.65%	0.10%
Series H	1.50%	0.10%
Series D	0.90%	0.10%
Series F	0.65%	0.10%
Series I	0.50%	0.10%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Advisor Series	154	146
Series H	146	138
Series I	141	134
Series O	76	72
Value of all units	5	5

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

Unconsolidated structured entities (%) (see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
High Yield Bond Fund	4.4	2.0	4.2	2.4
RBC High Yield Bond Fund	5.5	5.7	5.6	6.4

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
Series A		
Opening units	165 682	184 156
Issued number of units	7 315	14 385
Reinvested number of units	7 184	8 110
Redeemed number of units	(41 104)	(40 969)
Ending number of units	139 077	165 682
Advisor Series		
Opening units	7 065	8 431
Issued number of units	270	480
Reinvested number of units	215	242
Redeemed number of units	(1 639)	(2 088)
Ending number of units	5 911	7 065
Series H		
Opening units	5 053	6 067
Issued number of units	37	81
Reinvested number of units	159	180
Redeemed number of units	(1 359)	(1 275)
Ending number of units	3 890	5 053
Series D		
Opening units	13 104	13 107
Issued number of units	1 059	1 607
Reinvested number of units	453	464
Redeemed number of units	(2 655)	(2 074)
Ending number of units	11 961	13 104
Series F		
Opening units	18 919	11 171
Issued number of units	8 133	10 332
Reinvested number of units	799	522
Redeemed number of units	(5 148)	(3 106)
Ending number of units	22 703	18 919



December 31, 2018

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series I		
Opening units	796	900
Issued number of units	11	89
Reinvested number of units	29	33
Redeemed number of units	(296)	(226)
Ending number of units	540	796

Series O		
Opening units	14 202	15 206
Issued number of units	977	823
Reinvested number of units	658	721
Redeemed number of units	(3 646)	(2 548)
Ending number of units	12 191	14 202

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	1 625	100	2 249	100
Related-party brokerage commissions*	215	13	159	7
Commission arrangements†	125	8	258	11

* See note 8 in the generic notes.

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

Securities lending revenue (\$000s except %) (see note 7 in the generic notes)

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

	December 31 2018		December 31 2017	
Fair value of securities loaned	140 880		171 913	
Fair value of collateral received	143 772		175 630	

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	247	100	333	100
RBC IS (paid)	(62)	(25)	(92)	(28)
Tax withheld	(2)	(1)	(12)	(4)
Fund revenue	183	74	229	68

Investments by other related investment funds (%) (see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North Monthly Income Class	4.7	5.0

Offsetting financial assets and liabilities (\$000s) (see note 3 in the generic notes)

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	196	(341)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	196	(341)
Related amounts not set-off	(196)	196
Collateral (received) pledged	–	–
Net amount	–	(145)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	55	(7)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	55	(7)
Related amounts not set-off	(3)	3
Collateral (received) pledged	–	–
Net amount	52	(4)



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

December 31, 2018

Holdings	Security	Cost	Fair Value	of Net Assets
UNDERLYING FUNDS				
36 097 041	Phillips, Hager & North Bond Fund*	\$ 375 656	\$ 362 356	
28 550 083	Phillips, Hager & North Canadian Equity Underlying Fund*	288 709	297 286	
1 511 756	Phillips, Hager & North Canadian Money Market Fund*	15 118	15 118	
2 417 211	RBC Emerging Markets Equity Fund*	33 864	40 244	
12 250 154	RBC Global Equity Focus Fund*	148 904	191 325	
6 402 612	RBC QUBE Global Equity Fund*	78 956	64 775	
TOTAL UNDERLYING FUNDS		941 207	971 104	99.5
SHORT-TERM INVESTMENTS[†]		3 664	3 664	0.4
TOTAL INVESTMENTS		<u>\$ 944 871</u>	974 768	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			813	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 975 581</u>	100.0

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.28% and mature between January 2, 2019 and January 31, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 974 768	\$ 975 641
Cash	258	252
Subscriptions receivable	1 689	968
Dividends receivable, interest accrued and other assets	3	5
TOTAL ASSETS	976 718	976 866
LIABILITIES		
Redemptions payable	420	210
Distributions payable	2	–
Accounts payable and accrued expenses	715	711
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 137	921
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 975 581	\$ 975 945
Investments at cost	\$ 944 871	\$ 867 285
NAV		
SERIES A	\$ 31 045	\$ 27 008
ADVISOR SERIES	\$ 14 051	\$ 15 361
SERIES D	\$ 854 719	\$ 874 608
SERIES F	\$ 30 348	\$ 17 088
SERIES O	\$ 45 418	\$ 41 880
NAV PER UNIT		
SERIES A	\$ 18.95	\$ 20.39
ADVISOR SERIES	\$ 18.99	\$ 20.44
SERIES D	\$ 19.14	\$ 20.46
SERIES F	\$ 19.12	\$ 20.44
SERIES O	\$ 18.94	\$ 20.25

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 78	\$ 43
Income from investment trusts	47 997	42 305
Net realized gain (loss) on investments	8 951	7 308
Change in unrealized gain (loss) on investments	(78 459)	43 502
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(21 433)	93 158
TOTAL INCOME (LOSS)	(21 433)	93 158
EXPENSES (see notes – Fund Specific Information)		
Management fees	7 637	6 992
Administration fees	384	367
Independent Review Committee costs	2	3
GST/HST	608	548
TOTAL EXPENSES	8 631	7 910
INCREASE (DECREASE) IN NAV	\$ (30 064)	\$ 85 248
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (1 353)	\$ 2 061
ADVISOR SERIES	\$ (592)	\$ 1 131
SERIES D	\$ (26 011)	\$ 76 670
SERIES F	\$ (1 070)	\$ 1 330
SERIES O	\$ (1 038)	\$ 4 056
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (0.91)	\$ 1.65
ADVISOR SERIES	\$ (0.84)	\$ 1.57
SERIES D	\$ (0.60)	\$ 1.87
SERIES F	\$ (0.91)	\$ 1.86
SERIES O	\$ (0.48)	\$ 2.03



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (30 064)	\$ 85 248
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(47 997)	(42 305)
Net realized loss (gain) on investments	(8 948)	(7 308)
Change in unrealized loss (gain) on investments	78 459	(43 502)
(Increase) decrease in accrued receivables	2	(2)
Increase (decrease) in accrued payables	4	89
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(439 967)	(286 573)
Proceeds from sale and maturity of investments	419 326	265 733
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(29 185)	(28 620)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	140 412	119 940
Cash paid on redemption of redeemable units	(108 988)	(89 591)
Distributions paid to holders of redeemable units	(2 233)	(1 727)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 29 191	\$ 28 622
Net increase (decrease) in cash for the period	6	2
Cash (bank overdraft), beginning of period	252	250
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 258	\$ 252
Interest received (paid)	\$ 80	\$ 42
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 27 008	\$ 24 070	\$ 15 361	\$ 12 629	\$ 874 608	\$ 775 562	\$ 17 088	\$ 11 697
INCREASE (DECREASE) IN NAV	(1 353)	2 061	(592)	1 131	(26 011)	76 670	(1 070)	1 330
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	12 826	6 525	4 862	4 577	104 397	98 596	18 706	10 354
Reinvestments of distributions to holders of redeemable units	893	675	404	385	29 589	27 166	899	487
Redemption of redeemable units	(7 355)	(5 583)	(5 536)	(2 937)	(97 157)	(75 310)	(4 200)	(6 238)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	6 364	1 617	(270)	2 025	36 829	50 452	15 405	4 603
Distributions from net income	(396)	(309)	(182)	(174)	(14 921)	(13 664)	(515)	(263)
Distributions from net gains	(578)	(431)	(266)	(250)	(15 786)	(14 412)	(560)	(279)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(974)	(740)	(448)	(424)	(30 707)	(28 076)	(1 075)	(542)
NET INCREASE (DECREASE) IN NAV	4 037	2 938	(1 310)	2 732	(19 889)	99 046	13 260	5 391
NAV AT END OF PERIOD	\$ 31 045	\$ 27 008	\$ 14 051	\$ 15 361	\$ 854 719	\$ 874 608	\$ 30 348	\$ 17 088

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 41 880	\$ 38 263	\$ 975 945	\$ 862 221
INCREASE (DECREASE) IN NAV	(1 038)	4 056	(30 064)	85 248
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	12 682	6 764	153 473	126 816
Reinvestments of distributions to holders of redeemable units	1 188	988	32 973	29 701
Redemption of redeemable units	(7 290)	(6 545)	(121 538)	(96 613)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	6 580	1 207	64 908	59 904
Distributions from net income	(1 150)	(956)	(17 164)	(15 366)
Distributions from net gains	(854)	(690)	(18 044)	(16 062)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 004)	(1 646)	(35 208)	(31 428)
NET INCREASE (DECREASE) IN NAV	3 538	3 617	(364)	113 724
NAV AT END OF PERIOD	\$ 45 418	\$ 41 880	\$ 975 581	\$ 975 945

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



December 31, 2018

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 37.1% (December 31, 2017 – 35.7%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	27.8	44.8
AA	38.5	28.9
A	18.5	15.8
BBB	14.2	9.3
BB	0.4	0.5
Unrated	0.6	0.7
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	34.6	34.5
Global Equities	30.3	30.3
Canadian Equities	30.0	31.2
Cash/Other	5.1	4.0
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 37.2% (December 31, 2017 – 35.8%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	3.5	2.8
1 – 5 years	37.3	37.0
5 – 10 years	24.0	29.3
> 10 years	35.2	30.9
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.7% (December 31, 2017 – 2.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	17.1	17.8
Euro	2.8	2.7
Australian dollar	2.1	–
Pound sterling	1.9	2.5
Swiss franc	1.3	1.3
Japanese yen	1.3	1.3
Hong Kong dollar	1.2	1.3
South African rand	1.0	1.2
Indian rupee	0.9	0.7
New Taiwan dollar	0.5	–
Other currencies	–	2.5
Total	30.1	31.3

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.5% (December 31, 2017 – 1.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.



December 31, 2018

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.6	+ or - 0.5

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	971 104	—	—	971 104
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	3 664	—	3 664
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	971 104	3 664	—	974 768
% of total portfolio	99.6	0.4	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	970 990	—	—	970 990
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	4 651	—	4 651
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	970 990	4 651	—	975 641
% of total portfolio	99.5	0.5	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees*
Series A	1.75%	0.04%
Advisor Series	1.75%	0.04%
Series D	0.75%	0.04%
Series F	0.75%	0.04%
Series O	n/a†	0.01%

* Effective June 30, 2017, the administration fees for Series A, Advisor Series and Series F units were reduced to 0.04% from 0.08%.

† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	40	39
Advisor Series	78	76
Series D	43	41
Series F	43	42
Series O	47	45
Value of all units	5	5

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Bond Fund	37.1	3.9	35.8	3.6
Phillips, Hager & North Canadian Equity Underlying Fund	30.5	11.9	30.7	11.1
Phillips, Hager & North Canadian Money Market Fund	1.5	0.7	1.5	0.8



December 31, 2018

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
RBC Emerging Markets Equity Fund	4.1	0.9	4.0	1.0
RBC Global Equity Focus Fund	19.6	5.6	20.7	6.9
RBC QUBE Global Equity Fund	6.6	22.0	6.8	22.7

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	1 325	1 246
Issued number of units	626	324
Reinvested number of units	48	33
Redeemed number of units	(361)	(278)
Ending number of units	1 638	1 325

Advisor Series		
Opening units	752	652
Issued number of units	237	228
Reinvested number of units	22	19
Redeemed number of units	(271)	(147)
Ending number of units	740	752

Series D		
Opening units	42 753	40 274
Issued number of units	5 086	4 893
Reinvested number of units	1 572	1 327
Redeemed number of units	(4 744)	(3 741)
Ending number of units	44 667	42 753

Series F		
Opening units	836	608
Issued number of units	908	511
Reinvested number of units	48	24
Redeemed number of units	(205)	(307)
Ending number of units	1 587	836

Series O		
Opening units	2 068	2 009
Issued number of units	626	337
Reinvested number of units	63	49
Redeemed number of units	(360)	(327)
Ending number of units	2 397	2 068

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
707 900	BCE Inc.	\$ 26 057	\$ 38 177	
920 100	Quebecor Inc., Class B	24 331	26 444	
345 000	Rogers Communications Inc., Class B	12 449	24 136	
1 606 200	Shaw Communications Inc., Class B	35 994	39 689	
666 900	TELUS Corp.	21 155	30 177	
		119 986	158 623	6.8
Consumer Discretionary				
678 800	Dollarama Inc.	24 209	22 041	
363 600	Magna International Inc., Class A	7 931	22 532	
168 900	Restaurant Brands International Inc.	8 401	12 046	
		40 541	56 619	2.4
Consumer Staples				
695 900	Alimentation Couche-Tard Inc.	43 866	47 259	
166 150	George Weston Ltd.	11 670	14 962	
280 000	Jamieson Wellness Inc.	5 194	5 972	
409 701	Loblaw Companies Ltd.	15 281	25 037	
		76 011	93 230	4.0
Energy				
3 058 465	ARC Resources Ltd.	42 788	24 774	
1 598 500	Canadian Natural Resources Ltd.	62 961	52 655	
2 717 000	Cenovus Energy Inc.	45 138	26 083	
3 086 377	Enbridge Inc.	109 532	130 893	
1 065 300	Keyera Corp.	34 333	27 495	
301 400	Parkland Fuel Corp.	7 537	10 651	
1 095 500	Pembina Pipeline Corp.	40 121	44 379	
1 541 500	PrairieSky Royalty Ltd.	37 531	27 238	
1 477 800	Suncor Energy Inc.	51 644	56 349	
978 100	Tourmaline Oil Corp.	20 646	16 608	
1 069 300	TransCanada Corp.	49 220	52 128	
		501 451	469 253	20.1
Financials				
982 500	Bank of Montreal	57 258	87 629	
1 851 600	Bank of Nova Scotia	104 038	126 001	
1 628 300	Brookfield Asset Management Inc., Class A	26 587	85 193	
397 300	Canadian Imperial Bank of Commerce	23 692	40 397	
3 994 300	Element Fleet Management Corp.	28 864	27 601	
44 200	Fairfax Financial Holdings Ltd.	28 864	26 563	
280 200	Intact Financial Corp.	17 938	27 793	
3 294 900	Manulife Financial Corporation	64 591	63 822	
957 900	Power Corporation of Canada	17 333	23 497	
2 099 900	Royal Bank of Canada*	76 598	196 215	
1 229 500	Sun Life Financial Inc.	40 828	55 684	
2 775 600	Toronto-Dominion Bank	67 888	188 352	
		554 479	948 747	40.6

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
995 500	Canadian National Railway Co.	\$ 26 158	\$ 100 655	
226 300	Canadian Pacific Railway Ltd.	31 835	54 819	
528 800	SNC-Lavalin Group Inc.	27 318	24 282	
467 060	Stantec Inc.	14 522	13 970	
351 538	Thomson Reuters Corp.	10 548	23 177	
359 063	Waste Connections Inc.	21 263	36 384	
		131 644	253 287	10.8
Information Technology				
440 000	Open Text Corp.	16 134	19 580	
		16 134	19 580	0.8
Materials				
375 400	Agnico Eagle Mines Ltd.	18 778	20 685	
218 600	CCL Industries, Class B	12 395	10 943	
1 132 900	First Quantum Minerals Ltd.	15 904	12 507	
208 100	Franco-Nevada Corp.	16 575	19 921	
339 100	Kirkland Lake Gold Ltd.	8 878	12 072	
783 600	Nutrien Ltd.	51 474	50 244	
		124 004	126 372	5.4
Real Estate				
278 600	Allied Properties Real Estate Investment Trust	9 176	12 348	
1 669 100	Brookfield Property Partners LP	39 063	36 754	
1 208 900	First Capital Realty Inc.	20 683	22 788	
370 000	Minto Apartment Real Estate Investment Trust	5 365	6 845	
300 000	SmartCentres Real Estate Investment Trust	8 226	9 249	
723 000	Tricon Capital Group Inc.	7 688	7 006	
		90 201	94 990	4.1
Utilities				
150 000	Atco Ltd., Class I, Non-Voting	1 304	5 792	
322 200	Boralex Inc., Class A	6 461	5 426	
468 600	Brookfield Infrastructure Partners LP	10 849	22 094	
350 000	Brookfield Renewable Partners LP	9 509	12 373	
425 000	Canadian Utilities Ltd., Class A	11 878	13 311	
540 000	Fortis Inc.	17 188	24 575	
		57 189	83 571	3.6
TOTAL CANADIAN EQUITIES			1 711 640	98.6

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
7 800	Element Fleet Management Corp., Convertible	4.250	30-Jun-2020	\$ 7 800	\$ 7 488	
TOTAL CANADIAN BONDS				7 800	7 488	0.3
SHORT-TERM INVESTMENTS[†]				19 320	19 320	0.8
TOTAL INVESTMENTS				1 738 760	2 331 080	99.7
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				—	529	—
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				—	(717)	—
TOTAL PORTFOLIO				<u>\$ 1 738 760</u>	<u>2 330 892</u>	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					7 288	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>\$ 2 338 180</u>	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 290 Sold CAD 382 @ 0.7597	10-Jan-2019	\$ 14
Bought USD 8 458 Sold CAD 11 118 @ 0.7607	10-Jan-2019	426
Bought USD 1 773 Sold CAD 2 330 @ 0.7611	01-Feb-2019	89
		<u>\$ 529</u>
Contracts	Maturity Date	Unrealized Loss
Bought CAD 11 321 Sold USD 8 748 @ 1.2941	10-Jan-2019	\$ (620)
Bought CAD 729 Sold USD 557 @ 1.3089	01-Feb-2019	(31)
Bought CAD 1 592 Sold USD 1 216 @ 1.3090	01-Feb-2019	(66)
		<u>\$ (717)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (188)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.63% to 1.65% and mature between February 21, 2019 and April 4, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 2 331 080	\$ 2 620 189
Cash	1 705	1 751
Due from investment dealers	214	—
Subscriptions receivable	708	583
Unrealized gain on foreign exchange contracts	529	55
Dividends receivable, interest accrued and other assets	6 462	7 012
TOTAL ASSETS	2 340 698	2 629 590
LIABILITIES		
Redemptions payable	414	542
Unrealized loss on foreign exchange contracts	717	80
Accounts payable and accrued expenses	1 387	1 618
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2 518	2 240
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 338 180	\$ 2 627 350
Investments at cost	\$ 1 738 760	\$ 1 729 295
NAV		
SERIES A	\$ 61 072	\$ 74 477
ADVISOR SERIES	\$ 9 580	\$ 11 765
SERIES D	\$ 1 417 047	\$ 1 696 795
SERIES F	\$ 70 886	\$ 61 085
SERIES O	\$ 779 595	\$ 783 228
NAV PER UNIT		
SERIES A	\$ 96.08	\$ 107.83
ADVISOR SERIES	\$ 96.07	\$ 107.82
SERIES D	\$ 95.14	\$ 106.78
SERIES F	\$ 95.89	\$ 107.62
SERIES O	\$ 93.64	\$ 105.09

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 84 568	\$ 81 800
Interest for distribution purposes	1 516	1 187
Income from investment trusts	1 816	2 215
Derivative income	(597)	118
Net realized gain (loss) on investments	17 240	122 640
Change in unrealized gain (loss) on investments	(298 737)	20 470
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(194 194)	228 430
Securities lending revenue (see note 7 in the generic notes)	206	293
Net gain (loss) on foreign cash balances	27	394
TOTAL OTHER INCOME (LOSS)	233	687
TOTAL INCOME (LOSS)	(193 961)	229 117
EXPENSES (see notes – Fund Specific Information)		
Management fees	15 114	15 880
Administration fees	1 252	1 297
Independent Review Committee costs	2	3
GST/HST	1 479	1 549
Transaction costs	1 495	498
Withholding tax	80	84
TOTAL EXPENSES	19 422	19 311
INCREASE (DECREASE) IN NAV	\$ (213 383)	\$ 209 806
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (6 564)	\$ 5 134
ADVISOR SERIES	\$ (1 035)	\$ 814
SERIES D	\$ (138 197)	\$ 131 006
SERIES F	\$ (6 399)	\$ 4 436
SERIES O	\$ (61 188)	\$ 68 416
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (10.04)	\$ 7.40
ADVISOR SERIES	\$ (9.96)	\$ 7.65
SERIES D	\$ (9.04)	\$ 8.22
SERIES F	\$ (9.80)	\$ 8.85
SERIES O	\$ (8.10)	\$ 9.13



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (213 383)	\$ 209 806
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(15 952)	(122 236)
Change in unrealized loss (gain) on investments	298 737	(20 470)
(Increase) decrease in accrued receivables	550	(499)
Increase (decrease) in accrued payables	(231)	29
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 516 306)	(1 464 618)
Proceeds from sale and maturity of investments	1 522 579	1 568 732
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	75 994	170 744
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	187 059	116 590
Cash paid on redemption of redeemable units	(244 833)	(258 431)
Distributions paid to holders of redeemable units	(18 266)	(29 051)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (76 040)	\$ (170 892)
Net increase (decrease) in cash for the period	(46)	(148)
Cash (bank overdraft), beginning of period	1 751	1 899
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 1 705	\$ 1 751
Interest received (paid)	\$ 1 693	\$ 1 013
Dividends received, net of withholding taxes	\$ 84 861	\$ 81 391

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 74 477	\$ 74 417	\$ 11 765	\$ 10 934	\$ 1 696 795	\$ 1 681 957	\$ 61 085	\$ 46 199
INCREASE (DECREASE) IN NAV	(6 564)	5 134	(1 035)	814	(138 197)	131 006	(6 399)	4 436
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	7 496	10 510	1 488	2 338	37 777	54 176	26 077	23 058
Reinvestments of distributions to holders of redeemable units	909	2 107	151	351	33 884	62 830	1 521	2 033
Redemption of redeemable units	(14 227)	(15 336)	(2 627)	(2 299)	(175 925)	(164 231)	(9 570)	(12 144)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(5 822)	(2 719)	(988)	390	(104 264)	(47 225)	18 028	12 947
Distributions from net income	(1 019)	(927)	(162)	(143)	(37 287)	(36 256)	(1 828)	(1 318)
Distributions from net gains	—	(1 428)	—	(230)	—	(32 687)	—	(1 179)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 019)	(2 355)	(162)	(373)	(37 287)	(68 943)	(1 828)	(2 497)
NET INCREASE (DECREASE) IN NAV	(13 405)	60	(2 185)	831	(279 748)	14 838	9 801	14 886
NAV AT END OF PERIOD	\$ 61 072	\$ 74 477	\$ 9 580	\$ 11 765	\$ 1 417 047	\$ 1 696 795	\$ 70 886	\$ 61 085

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 783 228	\$ 773 160	\$ 2 627 350	\$ 2 586 667
INCREASE (DECREASE) IN NAV	(61 188)	68 416	(213 383)	209 806
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	157 705	54 981	230 543	145 063
Reinvestments of distributions to holders of redeemable units	11 634	17 500	48 099	84 821
Redemption of redeemable units	(85 715)	(91 125)	(288 064)	(285 135)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	83 624	(18 644)	(9 422)	(55 251)
Distributions from net income	(26 069)	(24 369)	(66 365)	(63 013)
Distributions from net gains	—	(15 335)	—	(50 859)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(26 069)	(39 704)	(66 365)	(113 872)
NET INCREASE (DECREASE) IN NAV	(3 633)	10 068	(289 170)	40 683
NAV AT END OF PERIOD	\$ 779 595	\$ 783 228	\$ 2 338 180	\$ 2 627 350

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



December 31, 2018

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	40.6	42.9
Energy	20.1	19.4
Industrials	10.8	8.5
Communication Services	6.8	5.0
Materials	5.4	5.0
Real Estate	4.1	3.5
Consumer Staples	4.0	4.6
Utilities	3.6	4.1
Consumer Discretionary	2.4	3.9
Information Technology	0.8	0.8
Bonds	0.3	—
Health Care	—	0.7
Cash/Other	1.1	1.6
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	2 304 272	—	—	2 304 272
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	7 488	—	7 488
Short-term investments	—	19 320	—	19 320
Derivatives – assets	—	529	—	529
Derivatives – liabilities	—	(717)	—	(717)
Total financial instruments	2 304 272	26 620	—	2 330 892
% of total portfolio	98.9	1.1	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	2 573 596	13 157	—	2 586 753
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	19 602	—	19 602
Short-term investments	—	13 834	—	13 834
Derivatives – assets	—	55	—	55
Derivatives – liabilities	—	(80)	—	(80)
Total financial instruments	2 573 596	46 568	—	2 620 164
% of total portfolio	98.2	1.8	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.06%
Series F	0.60%	0.10%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	8	8
Advisor Series	16	15
Series D	3	3
Series F	9	8
Series O	10	9
Value of all units	4	5

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	691	716
Issued number of units	71	100
Reinvested number of units	9	20
Redeemed number of units	(135)	(145)
Ending number of units	636	691
Advisor Series		
Opening units	109	105
Issued number of units	15	23
Reinvested number of units	1	3
Redeemed number of units	(25)	(22)
Ending number of units	100	109
Series D		
Opening units	15 891	16 344
Issued number of units	368	516
Reinvested number of units	334	595
Redeemed number of units	(1 699)	(1 564)
Ending number of units	14 894	15 891
Series F		
Opening units	568	445
Issued number of units	248	219
Reinvested number of units	15	19
Redeemed number of units	(92)	(115)
Ending number of units	739	568

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series O		
Opening units	7 453	7 632
Issued number of units	1 602	532
Reinvested number of units	117	169
Redeemed number of units	(846)	(880)
Ending number of units	8 326	7 453

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	1 495	100	498	100
Related-party brokerage commissions*	238	16	58	12
Commission arrangements†	121	8	17	3

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	113 968	140 778
Fair value of collateral received	116 247	143 593

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	276	100	448	100
RBC IS (paid)	(69)	(25)	(124)	(28)
Tax withheld	(1)	—	(31)	(7)
Fund revenue	206	75	293	65



December 31, 2018

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	529	(717)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	529	(717)
Related amounts not set-off	(529)	529
Collateral (received) pledged	–	–
Net amount	–	(188)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	55	(80)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	55	(80)
Related amounts not set-off	(3)	3
Collateral (received) pledged	–	–
Net amount	52	(77)

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
298 400	Quebecor Inc., Class B	\$ 5 672	\$ 8 576	
62 947	Rogers Communications Inc., Class B	1 879	4 404	
752 087	Shaw Communications Inc., Class B	20 299	18 584	
112 926	TELUS Corp.	2 888	5 110	
		30 738	36 674	3.9
Consumer Discretionary				
378 214	Dollarama Inc.	8 561	12 281	
236 502	Gildan Activewear Inc., Class A	7 659	9 801	
66 952	Restaurant Brands International Inc.	2 848	4 775	
		19 068	26 857	2.9
Consumer Staples				
353 107	Alimentation Couche-Tard Inc.	9 946	23 979	
		9 946	23 979	2.6
Energy				
684 519	ARC Resources Ltd.	11 183	5 544	
794 432	Baytex Energy Corp.	3 424	1 914	
188 549	Cameco Corp.	5 617	2 918	
768 743	Canadian Natural Resources Ltd.	30 107	25 322	
1 118 319	Cenovus Energy Inc.	16 617	10 736	
1 108 796	Enbridge Inc.	52 517	47 024	
225 385	Keyera Corp.	7 610	5 817	
352 600	Pembina Pipeline Corp.	14 515	14 284	
401 900	PrairieSky Royalty Ltd.	10 233	7 102	
679 452	Suncor Energy Inc.	28 231	25 908	
382 407	Tourmaline Oil Corp.	10 702	6 493	
399 799	TransCanada Corp.	22 921	19 490	
873 800	Whitecap Resources Inc.	7 661	3 801	
		221 338	176 353	18.8
Financials				
347 663	Bank of Montreal	30 964	31 008	
623 180	Bank of Nova Scotia	36 688	42 407	
624 790	Brookfield Asset Management Inc., Class A	18 058	32 689	
111 691	Canadian Imperial Bank of Commerce	11 834	11 357	
535 300	Element Fleet Management Corp.	6 781	3 699	
19 300	Fairfax Financial Holdings Ltd.	11 535	11 599	
113 922	Intact Financial Corp.	10 860	11 300	
1 303 069	Manulife Financial Corporation	24 963	25 240	
769 123	Royal Bank of Canada*	45 163	71 867	
469 594	Sun Life Financial Inc.	22 970	21 268	
919 255	Toronto-Dominion Bank	25 561	62 381	
		245 377	324 815	34.5

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
967 900	Bombardier Inc., Class B	\$ 3 864	\$ 1 965	
354 780	Canadian National Railway Co.	16 537	35 872	
41 700	Canadian Pacific Railway Ltd.	8 207	10 101	
222 900	SNC-Lavalin Group Inc.	12 524	10 236	
130 900	Stantec Inc.	4 549	3 915	
131 740	Thomson Reuters Corp.	5 077	8 686	
121 150	Waste Connections Inc.	7 868	12 276	
		58 626	83 051	8.8
Information Technology				
230 649	CGI Group Inc., Class A	10 174	19 259	
6 000	Constellation Software Inc.	3 268	5 243	
286 334	Open Text Corp.	10 724	12 742	
		24 166	37 244	4.0
Materials				
129 605	Agnico Eagle Mines Ltd.	5 462	7 141	
199 347	Alamos Gold Inc., Class A	1 644	979	
970 115	B2Gold Corp.	3 789	3 871	
335 300	Barrick Gold Corp.	6 560	6 180	
542 600	Belo Sun Mining Corp.	461	213	
53 300	CCL Industries, Class B	2 854	2 668	
194 900	Continental Gold Inc.	1 311	439	
134 750	Detour Gold Corp.	2 258	1 554	
118 212	Endeavour Mining Corp.	2 327	2 641	
720 807	First Quantum Minerals Ltd.	10 144	7 958	
59 700	Franco-Nevada Corp.	4 444	5 715	
246 492	Goldcorp Inc.	5 605	3 296	
195 229	IAMGOLD Corporation	1 421	978	
269 700	Kinross Gold Corp.	1 402	1 187	
195 300	Kirkland Lake Gold Ltd.	3 210	6 953	
287 419	Nutrien Ltd.	18 185	18 429	
426 380	OceanaGold Corp.	1 728	2 123	
183 100	Semafo Inc.	711	540	
218 900	Teck Resources Ltd., Class B	6 379	6 433	
135 591	Torex Gold Resources Inc.	2 637	1 761	
415 454	Turquoise Hill Resources Ltd.	2 791	935	
154 950	Wheaton Precious Metals Corp.	4 302	4 129	
		89 625	86 123	9.2
Real Estate				
365 800	Brookfield Property Partners LP	9 948	8 055	
243 400	First Capital Realty Inc.	4 870	4 588	
		14 818	12 643	1.3
Utilities				
155 250	Brookfield Infrastructure Partners LP	6 082	7 320	
261 300	Fortis Inc.	10 826	11 892	
		16 908	19 212	2.0
TOTAL CANADIAN EQUITIES		730 610	826 951	88.0

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
3 430 560	Phillips, Hager & North Small Float Fund*	\$ 56 832	\$ 101 306	
TOTAL UNDERLYING FUNDS		56 832	101 306	10.8
SHORT-TERM INVESTMENTS†		1 029	1 029	0.1
TOTAL INVESTMENTS		<u>\$ 788 471</u>	929 286	98.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			10 799	1.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 940 085</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 1.95% and mature between January 2, 2019 and January 7, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 929 286	\$ 1 137 042
Cash	1 012	1 043
Due from investment dealers	7 958	779
Subscriptions receivable	654	1 442
Dividends receivable, interest accrued and other assets	1 871	1 944
TOTAL ASSETS	940 781	1 142 250
LIABILITIES		
Due to investment dealers	—	261
Redemptions payable	327	676
Accounts payable and accrued expenses	369	474
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	696	1 411
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 940 085	\$ 1 140 839
Investments at cost	\$ 788 471	\$ 822 425
NAV		
SERIES A	\$ 14 695	\$ 18 126
ADVISOR SERIES	\$ 1 470	\$ 1 443
SERIES D	\$ 380 439	\$ 506 955
SERIES F	\$ 13 349	\$ 14 073
SERIES O	\$ 530 132	\$ 600 242
NAV PER UNIT		
SERIES A	\$ 88.07	\$ 102.09
ADVISOR SERIES	\$ 88.02	\$ 102.17
SERIES D	\$ 85.22	\$ 99.00
SERIES F	\$ 87.02	\$ 101.06
SERIES O	\$ 84.63	\$ 98.35

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 29 222	\$ 27 315
Interest for distribution purposes	86	79
Income from investment trusts	1 562	1 466
Net realized gain (loss) on investments	48 565	68 941
Change in unrealized gain (loss) on investments	(173 802)	(24 823)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(94 367)	72 978
Securities lending revenue (see note 7 in the generic notes)	59	5
Net gain (loss) on foreign cash balances	1	18
TOTAL OTHER INCOME (LOSS)	60	23
TOTAL INCOME (LOSS)	(94 307)	73 001
EXPENSES (see notes – Fund Specific Information)		
Management fees	4 135	4 677
Administration fees	415	455
Independent Review Committee costs	2	3
GST/HST	399	420
Transaction costs	480	549
TOTAL EXPENSES	5 431	6 104
INCREASE (DECREASE) IN NAV	\$ (99 738)	\$ 66 897
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (1 820)	\$ 781
ADVISOR SERIES	\$ (164)	\$ 62
SERIES D	\$ (43 879)	\$ 26 617
SERIES F	\$ (1 449)	\$ 695
SERIES O	\$ (52 426)	\$ 38 742
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (10.74)	\$ 4.05
ADVISOR SERIES	\$ (10.25)	\$ 4.46
SERIES D	\$ (9.58)	\$ 5.28
SERIES F	\$ (10.05)	\$ 5.93
SERIES O	\$ (8.53)	\$ 6.31



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (99 738)	\$ 66 897
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(1 562)	(1 466)
Net realized loss (gain) on investments	(48 052)	(68 404)
Change in unrealized loss (gain) on investments	173 802	24 823
(Increase) decrease in accrued receivables	73	(32)
Increase (decrease) in accrued payables	(105)	(6)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(562 363)	(938 450)
Proceeds from sale and maturity of investments	638 491	1 000 768
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	100 546	84 130
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	56 295	81 424
Cash paid on redemption of redeemable units	(146 403)	(152 551)
Distributions paid to holders of redeemable units	(10 469)	(12 982)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (100 577)	\$ (84 109)
Net increase (decrease) in cash for the period	(31)	21
Cash (bank overdraft), beginning of period	1 043	1 022
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 1 012	\$ 1 043
Interest received (paid)	\$ 87	\$ 79
Dividends received, net of withholding taxes	\$ 29 295	\$ 27 283

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 18 126	\$ 22 124	\$ 1 443	\$ 1 412	\$ 506 955	\$ 509 894	\$ 14 073	\$ 10 109
INCREASE (DECREASE) IN NAV	(1 820)	781	(164)	62	(43 879)	26 617	(1 449)	695
Early redemption fees	—	—	—	—	—	—	1	—
Proceeds from redeemable units issued	1 237	2 244	349	332	11 048	19 732	3 634	5 418
Reinvestments of distributions to holders of redeemable units	378	542	49	52	16 482	23 295	535	609
Redemption of redeemable units	(2 682)	(6 851)	(154)	(358)	(92 972)	(48 396)	(2 822)	(2 056)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 067)	(4 065)	244	26	(65 442)	(5 369)	1 348	3 971
Distributions from net income	(182)	(112)	(18)	(9)	(7 987)	(7 442)	(303)	(236)
Distributions from net gains	(362)	(602)	(35)	(48)	(9 208)	(16 745)	(320)	(466)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(544)	(714)	(53)	(57)	(17 195)	(24 187)	(623)	(702)
NET INCREASE (DECREASE) IN NAV	(3 431)	(3 998)	27	31	(126 516)	(2 939)	(724)	3 964
NAV AT END OF PERIOD	\$ 14 695	\$ 18 126	\$ 1 470	\$ 1 443	\$ 380 439	\$ 506 955	\$ 13 349	\$ 14 073

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 600 242	\$ 613 835	\$ 1 140 839	\$ 1 157 374
INCREASE (DECREASE) IN NAV	(52 426)	38 742	(99 738)	66 897
Early redemption fees	—	—	1	—
Proceeds from redeemable units issued	83 296	63 196	99 564	90 922
Reinvestments of distributions to holders of redeemable units	19 759	23 154	37 203	47 652
Redemption of redeemable units	(91 482)	(103 711)	(190 112)	(161 372)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	11 573	(17 361)	(53 344)	(22 798)
Distributions from net income	(16 337)	(14 763)	(24 827)	(22 562)
Distributions from net gains	(12 920)	(20 211)	(22 845)	(38 072)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(29 257)	(34 974)	(47 672)	(60 634)
NET INCREASE (DECREASE) IN NAV	(70 110)	(13 593)	(200 754)	(16 535)
NAV AT END OF PERIOD	\$ 530 132	\$ 600 242	\$ 940 085	\$ 1 140 839

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of common shares of Canadian companies.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	34.5	36.6
Energy	18.8	21.8
Underlying Funds	10.8	11.0
Materials	9.2	7.2
Industrials	8.8	6.0
Information Technology	4.0	3.9
Communication Services	3.9	0.9
Consumer Discretionary	2.9	5.9
Consumer Staples	2.6	2.4
Utilities	2.0	1.5
Real Estate	1.3	1.8
Cash/Other	1.2	1.0
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	826 951	–	–	826 951
Underlying funds	101 306	–	–	101 306
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	1 029	–	1 029
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	928 257	1 029	–	929 286
% of total portfolio	99.9	0.1	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 003 994	–	–	1 003 994
Underlying funds	125 365	–	–	125 365
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	7 683	–	7 683
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 129 359	7 683	–	1 137 042
% of total portfolio	99.3	0.7	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.06%
Series F	0.60%	0.10%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	8	8
Advisor Series	15	15
Series D	9	8
Series F	9	8
Value of all units	4	4

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Small Float Fund	10.8	43.6	11.0	42.4

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	178	218
Issued number of units	12	22
Reinvested number of units	4	5
Redeemed number of units	(27)	(67)
Ending number of units	167	178
Advisor Series		
Opening units	14	14
Issued number of units	4	3
Reinvested number of units	1	1
Redeemed number of units	(2)	(4)
Ending number of units	17	14

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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	5 121	5 171
Issued number of units	115	199
Reinvested number of units	195	237
Redeemed number of units	(967)	(486)
Ending number of units	4 464	5 121
Series F		
Opening units	139	100
Issued number of units	37	53
Reinvested number of units	6	6
Redeemed number of units	(29)	(20)
Ending number of units	153	139
Series O		
Opening units	6 103	6 261
Issued number of units	881	640
Reinvested number of units	236	237
Redeemed number of units	(956)	(1 035)
Ending number of units	6 264	6 103

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	480	100	549	100
Related-party brokerage commissions*	49	10	33	6
Commission arrangements [†]	19	4	26	5

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	21 357	30 205
Fair value of collateral received	21 784	30 809

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	79	100	7	100
RBC IS (paid)	(20)	(25)	(2)	(25)
Tax withheld	—	—	—	—
Fund revenue	59	75	5	75



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
684 753	BCE Inc.	\$ 36 407	\$ 36 929	
677 014	Quebecor Inc., Class B	12 058	19 457	
391 590	Rogers Communications Inc., Class B	23 485	27 396	
615 540	Shaw Communications Inc., Class B	15 019	15 210	
437 807	TELUS Corp.	17 137	19 811	
		104 106	118 803	7.7
Consumer Discretionary				
153 064	Great Canadian Gaming Corp.	6 558	7 327	
181 559	Magna International Inc., Class A	14 557	11 251	
330 283	Recipe Unlimited Corp.	8 468	8 644	
175 508	Restaurant Brands International Inc.	10 885	12 517	
		40 468	39 739	2.6
Consumer Staples				
383 185	Alimentation Couche-Tard Inc.	20 291	26 022	
143 645	George Weston Ltd.	13 482	12 935	
256 967	Loblaw Companies Ltd.	12 661	15 703	
374 075	Maple Leaf Foods Inc.	9 569	10 223	
73 562	Premium Brands Holdings Corp.	6 852	5 507	
117 480	Saputo Group Inc.	5 114	4 604	
		67 969	74 994	4.9
Energy				
598 929	ARC Resources Ltd.	13 220	4 851	
322 712	Cameco Corp.	4 024	4 996	
1 163 995	Canadian Natural Resources Ltd.	42 393	38 342	
1 499 396	Enbridge Inc.	68 932	63 588	
999 325	Encana Corp.	14 492	7 874	
712 184	Husky Energy Inc.	15 050	10 049	
328 220	Imperial Oil Ltd.	15 128	11 353	
268 008	Keyera Corp.	9 946	6 917	
1 339 249	MEG Energy Corp.	8 539	10 326	
367 577	Pembina Pipeline Corp.	15 222	14 891	
512 902	PrairieSky Royalty Ltd.	14 154	9 063	
140 635	ShawCor Ltd.	4 879	2 332	
1 399 021	Suncor Energy Inc.	55 051	53 345	
706 173	TransCanada Corp.	37 120	34 426	
325 416	Vermilion Energy Inc.	12 010	9 359	
		330 160	281 712	18.3
Financials				
760 273	AGF Management Ltd., Class B	4 852	3 665	
412 454	Bank of Montreal	37 513	36 787	
1 058 514	Bank of Nova Scotia	70 397	72 032	
808 292	Brookfield Asset Management Inc., Class A	32 110	42 290	
268 431	Canadian Imperial Bank of Commerce	28 782	27 294	
1 347 537	Element Fleet Management Corp.	9 052	9 311	
32 644	Fairfax Financial Holdings Ltd.	20 385	19 618	
57 323	Intact Financial Corp.	4 746	5 686	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
1 704 109	Manulife Financial Corporation	\$ 36 980	\$ 33 009	
128 433	National Bank of Canada	6 817	7 199	
169 328	Onex Corporation	11 907	12 590	
488 735	Power Corporation of Canada	14 309	11 989	
1 175 715	Royal Bank of Canada*	97 365	109 859	
528 161	Sun Life Financial Inc.	24 895	23 920	
94 990	The Westaim Corp.	278	245	
1 505 320	Toronto-Dominion Bank	89 222	102 151	
		489 610	517 645	33.6
Industrials				
403 208	Air Canada	10 325	10 467	
456 265	ATS Automation Tooling Systems	6 930	6 566	
4 970 512	Bombardier Inc., Class B	13 130	10 090	
169 157	Brookfield Business Partners LP	5 634	7 034	
454 643	Canadian National Railway Co.	36 162	45 969	
152 768	Canadian Pacific Railway Ltd.	31 589	37 007	
321 956	SNC-Lavalin Group Inc.	15 649	14 784	
334 604	Thomson Reuters Corp.	14 709	22 060	
458 569	Transcontinental Inc., Class A	11 201	8 850	
306 573	Waste Connections Inc.	21 165	31 065	
		166 494	193 892	12.6
Information Technology				
448 248	BlackBerry Ltd.	6 003	4 352	
234 126	CGI Group Inc., Class A	16 115	19 550	
305 061	Open Text Corp.	13 182	13 575	
		35 300	37 477	2.4
Materials				
184 023	Agnico Eagle Mines Ltd.	9 789	10 140	
1 055 232	Barrick Gold Corp.	21 607	19 448	
173 944	CCL Industries, Class B	9 908	8 708	
292 132	Detour Gold Corp.	3 767	3 368	
520 265	First Quantum Minerals Ltd.	8 195	5 744	
48 542	Franco-Nevada Corp.	4 140	4 647	
672 758	Goldcorp Inc.	12 091	8 995	
550 410	Interfor Corp.	9 595	7 937	
623 435	Kinross Gold Corp.	3 114	2 743	
133 522	Kirkland Lake Gold Ltd.	3 621	4 753	
60 999	Methanex Corp.	3 995	4 005	
465 658	Nutrien Ltd.	30 997	29 858	
131 449	Stella-Jones Inc.	5 398	5 207	
531 237	Teck Resources Ltd., Class B	13 353	15 613	
		139 570	131 166	8.5
Real Estate				
93 231	Allied Properties Real Estate Investment Trust	3 431	4 132	
39 258	Boardwalk Real Estate Investment Trust	1 940	1 484	
558 715	Brookfield Property Partners LP	14 165	12 303	
881 476	Choice Properties Real Estate Investment Trust	10 945	10 155	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate (cont.)				
76 808	Colliers International Group Inc. \$	6 021	\$ 5 783	
375 857	First Capital Realty Inc.	7 245	7 085	
366 553	Tricon Capital Group Inc.	4 058	3 552	
		<u>47 805</u>	<u>44 494</u>	<u>2.9</u>
Utilities				
348 105	AltaGas Ltd.	5 497	4 839	
228 468	Brookfield Infrastructure Partners LP	11 807	10 772	
375 809	Canadian Utilities Ltd., Class A	12 382	11 770	
319 447	Fortis Inc.	13 221	14 538	
1 719 007	TransAlta Corp.	11 462	9 609	
		<u>54 369</u>	<u>51 528</u>	<u>3.3</u>
TOTAL CANADIAN EQUITIES		<u>1 475 851</u>	<u>1 491 450</u>	<u>96.8</u>
SHORT-TERM INVESTMENTS[†]		<u>45 690</u>	<u>45 690</u>	<u>3.0</u>
TOTAL INVESTMENTS		<u>\$1 521 541</u>	<u>1 537 140</u>	<u>99.8</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>3 579</u>	<u>0.2</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$1 540 719</u>		<u>100.0</u>

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.40% and mature between January 2, 2019 and January 28, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 1 537 140	\$ 1 196 221
Cash	462	488
Due from investment dealers	2 086	—
Subscriptions receivable	1 004	648
Dividends receivable, interest accrued and other assets	4 556	2 823
TOTAL ASSETS	1 545 248	1 200 180
LIABILITIES		
Due to investment dealers	3 600	—
Redemptions payable	470	620
Distributions payable	—	(1)
Accounts payable and accrued expenses	459	529
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4 529	1 148
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 540 719	\$ 1 199 032
Investments at cost	\$ 1 521 541	\$ 997 266
NAV		
SERIES A	\$ 10 607	\$ 13 309
ADVISOR SERIES	\$ 164 664	\$ 208 741
SERIES T5	\$ 1	\$ 1
SERIES D	\$ 77 346	\$ 88 841
SERIES F	\$ 126 481	\$ 129 500
SERIES FT5	\$ 1	\$ 1
SERIES O	\$ 1 161 619	\$ 758 639
NAV PER UNIT		
SERIES A	\$ 12.89	\$ 14.40
ADVISOR SERIES	\$ 12.88	\$ 14.39
SERIES T5	\$ 12.49	\$ 14.46
SERIES D	\$ 13.04	\$ 14.57
SERIES F	\$ 13.06	\$ 14.59
SERIES FT5	\$ 12.89	\$ 14.77
SERIES O	\$ 12.93	\$ 14.46

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 37 640	\$ 31 481
Interest for distribution purposes	917	444
Income from investment trusts	676	422
Net realized gain (loss) on investments	20 632	69 496
Change in unrealized gain (loss) on investments	(183 356)	7 498
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(123 491)	109 341
Securities lending revenue (see note 7 in the generic notes)	71	5
Net gain (loss) on foreign cash balances	1	5
TOTAL OTHER INCOME (LOSS)	72	10
TOTAL INCOME (LOSS)	(123 419)	109 351
EXPENSES (see notes – Fund Specific Information)		
Management fees	4 778	5 121
Administration fees	605	594
Independent Review Committee costs	2	3
GST/HST	514	549
Transaction costs	886	840
TOTAL EXPENSES	6 785	7 107
INCREASE (DECREASE) IN NAV	\$ (130 204)	\$ 102 244
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (1 080)	\$ 953
ADVISOR SERIES	\$ (17 142)	\$ 14 913
SERIES T5	\$ —	\$ —
SERIES D	\$ (7 202)	\$ 6 733
SERIES F	\$ (11 384)	\$ 10 781
SERIES FT5	\$ —	\$ —
SERIES O	\$ (93 396)	\$ 68 864
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (1.26)	\$ 0.98
ADVISOR SERIES	\$ (1.27)	\$ 1.00
SERIES T5	\$ (1.27)	\$ 1.09
SERIES D	\$ (1.20)	\$ 1.16
SERIES F	\$ (1.23)	\$ 1.20
SERIES FT5	\$ (1.16)	\$ 1.16
SERIES O	\$ (1.48)	\$ 1.31

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



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (130 204)	\$ 102 244
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(19 932)	(68 706)
Change in unrealized loss (gain) on investments	183 356	(7 498)
(Increase) decrease in accrued receivables	(1 733)	(388)
Increase (decrease) in accrued payables	(70)	(22)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 869 727)	(1 184 927)
Proceeds from sale and maturity of investments	1 366 898	1 246 093
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(471 412)	86 796
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	744 806	158 334
Cash paid on redemption of redeemable units	(264 616)	(229 072)
Distributions paid to holders of redeemable units	(8 804)	(16 144)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 471 386	\$ (86 882)
Net increase (decrease) in cash for the period	(26)	(86)
Cash (bank overdraft), beginning of period	488	574
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 462	\$ 488
Interest received (paid)	\$ 881	\$ 446
Dividends received, net of withholding taxes	\$ 35 943	\$ 31 090

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series T5		Series D	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 13 309	\$ 15 014	\$ 208 741	\$ 223 263	\$ 1	\$ —	\$ 88 841	\$ 80 409
INCREASE (DECREASE) IN NAV	(1 080)	953	(17 142)	14 913	—	—	(7 202)	6 733
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 454	1 244	2 656	3 254	—	1	9 199	11 857
Reinvestments of distributions to holders of redeemable units	136	470	2 261	7 477	—	—	1 666	3 911
Redemption of redeemable units	(3 053)	(3 854)	(29 384)	(32 034)	—	—	(13 343)	(9 903)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 463)	(2 140)	(24 467)	(21 303)	—	1	(2 478)	5 865
Distributions from net income	(41)	(85)	(633)	(1 332)	—	—	(966)	(1 311)
Distributions from net gains	(118)	(433)	(1 835)	(6 800)	—	—	(849)	(2 855)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(159)	(518)	(2 468)	(8 132)	—	—	(1 815)	(4 166)
NET INCREASE (DECREASE) IN NAV	(2 702)	(1 705)	(44 077)	(14 522)	—	1	(11 495)	8 432
NAV AT END OF PERIOD	\$ 10 607	\$ 13 309	\$ 164 664	\$ 208 741	\$ 1	\$ 1	\$ 77 346	\$ 88 841

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series FT5		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 129 500	\$ 136 240	\$ 1	\$ —	\$ 758 639	\$ 727 850	\$ 1 199 032	\$ 1 182 776
INCREASE (DECREASE) IN NAV	(11 384)	10 781	—	—	(93 396)	68 864	(130 204)	102 244
Early redemption fees	14	—	—	—	—	—	14	—
Proceeds from redeemable units issued	35 993	27 988	—	1	699 598	120 045	748 900	164 390
Reinvestments of distributions to holders of redeemable units	897	1 554	—	—	32 575	34 300	37 535	47 712
Redemption of redeemable units	(25 234)	(40 394)	—	—	(197 204)	(148 050)	(268 218)	(234 235)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	11 670	(10 852)	—	1	534 969	6 295	518 231	(22 133)
Distributions from net income	(1 916)	(2 325)	—	—	(26 046)	(19 227)	(29 602)	(24 280)
Distributions from net gains	(1 389)	(4 344)	—	—	(12 547)	(25 143)	(16 738)	(39 575)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3 305)	(6 669)	—	—	(38 593)	(44 370)	(46 340)	(63 855)
NET INCREASE (DECREASE) IN NAV	(3 019)	(6 740)	—	1	402 980	30 789	341 687	16 256
NAV AT END OF PERIOD	\$ 126 481	\$ 129 500	\$ 1	\$ 1	\$ 1 161 619	\$ 758 639	\$ 1 540 719	\$ 1 199 032

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide long-term capital growth by investing primarily in equities of Canadian companies priced below the manager's assessment of their true value and offering long-term opportunities for growth.

Series T5 and Series FT5 units were started August 28, 2017.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	33.6	38.2
Energy	18.3	21.1
Industrials	12.6	9.6
Materials	8.5	8.6
Communication Services	7.7	4.3
Consumer Staples	4.9	4.2
Utilities	3.3	2.2
Real Estate	2.9	2.9
Consumer Discretionary	2.6	3.7
Information Technology	2.4	1.9
Health Care	–	0.6
Cash/Other	3.2	2.7
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 0.9

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	1 491 450	–	–	1 491 450
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	45 690	–	45 690
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 491 450	45 690	–	1 537 140
% of total portfolio	97.0	3.0	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 156 175	9 774	–	1 165 949
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	30 272	–	30 272
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 156 175	40 046	–	1 196 221
% of total portfolio	96.7	3.3	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series T5	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series FT5	0.60%	0.10%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	111	109
Advisor Series	117	115
Series T5	79	75
Series D	137	134
Series F	140	137
Series FT5	77	73
Series O	371	148
Value of all units	13	11

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	925	1 076
Issued number of units	102	88
Reinvested number of units	11	33
Redeemed number of units	(215)	(272)
Ending number of units	823	925

Advisor Series

Opening units	14 506	16 004
Issued number of units	186	229
Reinvested number of units	176	522
Redeemed number of units	(2 084)	(2 249)
Ending number of units	12 784	14 506

Series T5

Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–

Series D

Opening units	6 096	5 691
Issued number of units	642	820
Reinvested number of units	128	270
Redeemed number of units	(937)	(685)
Ending number of units	5 929	6 096

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	8 878	9 630
Issued number of units	2 493	1 922
Reinvested number of units	69	107
Redeemed number of units	(1 752)	(2 781)
Ending number of units	9 688	8 878

Series FT5

Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–

Series O

Opening units	52 479	51 899
Issued number of units	48 610	8 307
Reinvested number of units	2 526	2 384
Redeemed number of units	(13 806)	(10 111)
Ending number of units	89 809	52 479

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	886	100	840	100
Related-party brokerage commissions*	127	14	144	17
Commission arrangements [†]	127	14	43	5

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	89 861	35 758
Fair value of collateral received	91 659	36 473



December 31, 2018

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	102	100	7	100
RBC IS (paid)	(26)	(25)	(2)	(25)
Tax withheld	(5)	(5)	—	—
Fund revenue	71	70	5	75

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North		
Canadian Equity Value Class	0.4	0.4
Phillips, Hager & North LifeTime 2020 Fund	—	—
Phillips, Hager & North LifeTime 2025 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2030 Fund	0.1	0.2
Phillips, Hager & North LifeTime 2035 Fund	0.2	0.2
Phillips, Hager & North LifeTime 2040 Fund	0.2	0.3
Phillips, Hager & North LifeTime 2045 Fund	0.5	0.7
Phillips, Hager & North LifeTime 2050 Fund	0.3	0.2
Phillips, Hager & North LifeTime 2055 Fund	—	—
RBC Retirement 2020 Portfolio	0.1	0.1
RBC Retirement 2025 Portfolio	0.1	0.1
RBC Retirement 2030 Portfolio	0.1	0.1
RBC Retirement 2035 Portfolio	0.1	—
RBC Retirement 2040 Portfolio	—	—
RBC Retirement 2045 Portfolio	—	—
RBC Retirement 2050 Portfolio	—	—
RBC Total Return Growth Fund	—	—
Total	2.2	2.4

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

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

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
1 219 212	Quebecor Inc., Class B	\$ 19 408	\$ 35 040	
176 643	Rogers Communications Inc., Class B	7 676	12 358	
1 980 960	Shaw Communications Inc., Class B	54 104	48 950	
303 140	TELUS Corp.	10 262	13 717	
		91 450	110 065	4.4
Consumer Discretionary				
515 523	Aritzia Inc.	7 751	8 455	
944 418	Dollarama Inc.	19 311	30 665	
611 058	Gildan Activewear Inc., Class A	20 396	25 322	
156 600	Great Canadian Gaming Corp.	2 315	7 496	
505 400	Leon's Furniture Ltd.	6 923	7 596	
1 477 400	Real Matters Inc.	7 971	4 875	
176 231	Restaurant Brands International Inc.	7 691	12 569	
459 400	Sleep Country Canada Holdings Inc.	8 404	9 174	
		80 762	106 152	4.2
Consumer Staples				
936 423	Alimentation Couche-Tard Inc.	30 815	63 592	
449 200	Jamieson Wellness Inc.	7 295	9 581	
21 722	Lassonde Industries Inc.	5 259	4 327	
210 941	Maple Leaf Foods Inc.	3 115	5 765	
542 743	Mav Beauty Brands Inc.	7 597	5 796	
47 278	Premium Brands Holdings Corp.	5 627	3 539	
		59 708	92 600	3.7
Energy				
2 020 825	ARC Resources Ltd.	34 119	16 369	
3 720 156	Baytex Energy Corp.	15 956	8 967	
534 014	Cameco Corp.	11 003	8 268	
2 055 535	Canadian Natural Resources Ltd.	80 062	67 710	
2 875 145	Cenovus Energy Inc.	42 684	27 601	
2 939 616	Enbridge Inc.	141 389	124 669	
576 163	Keyera Corp.	19 356	14 871	
919 100	Pembina Pipeline Corp.	37 929	37 233	
1 069 900	PrairieSky Royalty Ltd.	27 183	18 905	
1 259 100	Secure Energy Services Inc.	11 811	8 826	
1 763 446	Suncor Energy Inc.	74 383	67 240	
990 120	Tourmaline Oil Corp.	27 776	16 812	
1 097 072	TransCanada Corp.	62 848	53 482	
2 283 300	Whitecap Resources Inc.	19 951	9 932	
		606 450	480 885	19.2
Financials				
931 126	Bank of Montreal	83 321	83 047	
1 654 892	Bank of Nova Scotia	102 752	112 615	
1 680 815	Brookfield Asset Management Inc., Class A	54 685	87 940	
300 320	Canadian Imperial Bank of Commerce	31 827	30 537	
3 699 011	Element Fleet Management Corp.	35 100	25 560	
51 300	Fairfax Financial Holdings Ltd.	30 718	30 830	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
303 749	Intact Financial Corp.	\$ 28 987	\$ 30 129	
3 490 696	Manulife Financial Corporation	66 033	67 615	
2 052 726	Royal Bank of Canada*	144 755	191 807	
1 204 100	Sun Life Financial Inc.	59 004	54 534	
2 958 900	The Westaim Corp.	9 154	7 634	
2 468 952	Toronto-Dominion Bank	112 196	167 543	
		758 532	889 791	35.5
Industrials				
534 959	Badger Daylighting Ltd.	11 362	17 252	
2 585 350	Bombardier Inc., Class B	10 306	5 248	
96 850	Boyd Group Income Fund	4 338	10 939	
920 304	Canadian National Railway Co.	62 157	93 052	
111 600	Canadian Pacific Railway Ltd.	22 023	27 034	
149 300	K-Bro Linen Inc.	5 445	4 993	
226 000	Morneau Shepell Inc.	6 064	5 659	
353 931	Richelieu Hardware Ltd.	4 813	8 031	
214 478	Ritchie Bros. Auctioneers Inc.	7 577	9 579	
592 900	SNC-Lavalin Group Inc.	33 240	27 226	
895 882	Stantec Inc.	28 446	26 796	
361 266	Thomson Reuters Corp.	14 549	23 818	
215 995	Toromont Industries Ltd.	8 102	11 720	
329 350	Waste Connections Inc.	21 589	33 373	
		240 011	304 720	12.2
Information Technology				
1 638 735	Blackline Safety Corp.	4 979	8 562	
597 368	CGI Group Inc., Class A	28 567	49 880	
16 800	Constellation Software Inc.	9 225	14 681	
187 100	Kinaxis Inc.	5 455	12 330	
759 066	Open Text Corp.	27 735	33 778	
		75 961	119 231	4.8
Materials				
353 096	Agnico Eagle Mines Ltd.	14 554	19 456	
516 372	Alamos Gold Inc., Class A	4 242	2 535	
2 484 153	B2Gold Corp.	9 417	9 912	
894 495	Barrick Gold Corp.	17 336	16 486	
1 244 500	Belo Sun Mining Corp.	1 053	488	
307 060	CCL Industries, Class B	8 360	15 371	
501 989	Continental Gold Inc.	2 096	1 129	
345 467	Detour Gold Corp.	4 913	3 983	
316 892	Endeavour Mining Corp.	6 330	7 079	
1 899 691	First Quantum Minerals Ltd.	24 569	20 973	
164 714	Franco-Nevada Corp.	12 325	15 768	
713 332	Goldcorp Inc.	14 773	9 537	
508 348	IAMGOLD Corporation	3 670	2 547	
669 300	Kinross Gold Corp.	3 474	2 945	
525 400	Kirkland Lake Gold Ltd.	8 467	18 704	
756 209	Nutrien Ltd.	47 951	48 488	
1 049 903	OceanaGold Corp.	4 256	5 229	
455 120	Semafo Inc.	1 780	1 343	
271 922	Stella-Jones Inc.	9 810	10 771	
577 300	Teck Resources Ltd., Class B	16 827	16 967	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
364 881	Torex Gold Resources Inc.	\$ 5 850	\$ 4 740	
1 024 364	Turquoise Hill Resources Ltd.	4 833	2 305	
414 521	Wheaton Precious Metals Corp.	11 018	11 047	
		<u>237 904</u>	<u>247 803</u>	<u>9.9</u>
Real Estate				
200 600	Altus Group Ltd.	6 186	4 748	
930 900	Brookfield Property Partners LP	25 305	20 498	
633 600	First Capital Realty Inc.	12 674	11 943	
75 264	FirstService Corp.	2 346	7 051	
174 000	Mainstreet Equity Corp.	6 440	7 298	
1 040 806	Tricon Capital Group Inc.	10 821	10 085	
		<u>63 772</u>	<u>61 623</u>	<u>2.5</u>
Utilities				
402 500	Brookfield Infrastructure Partners LP	15 850	18 978	
663 800	Fortis Inc.	27 520	30 210	
		<u>43 370</u>	<u>49 188</u>	<u>2.0</u>
	TOTAL CANADIAN EQUITIES	<u>2 257 920</u>	<u>2 462 058</u>	<u>98.4</u>
	SHORT-TERM INVESTMENTS†	<u>33 462</u>	<u>33 462</u>	<u>1.3</u>
	TOTAL INVESTMENTS	<u>\$2 291 382</u>	<u>2 495 520</u>	<u>99.7</u>
	OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>7 918</u>	<u>0.3</u>
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$2 503 438</u>	<u>100.0</u>

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.20% and mature between January 2, 2019 and January 11, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 2 495 520	\$ 2 690 838
Cash	2 174	2 191
Due from investment dealers	219	1 736
Subscriptions receivable	45	39
Dividends receivable, interest accrued and other assets	5 528	4 979
TOTAL ASSETS	2 503 486	2 699 783
LIABILITIES		
Due to investment dealers	–	612
Redemptions payable	–	55
Distributions payable	2	1
Accounts payable and accrued expenses	46	49
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	48	717
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 503 438	\$ 2 699 066
Investments at cost	\$ 2 291 382	\$ 2 101 549
NAV		
SERIES 0	\$ 2 503 438	\$ 2 699 066
NAV PER UNIT		
SERIES 0	\$ 10.41	\$ 12.13

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 76 428	\$ 64 155
Interest for distribution purposes	511	285
Income from investment trusts	75	282
Net realized gain (loss) on investments	67 449	25 803
Change in unrealized gain (loss) on investments	(385 151)	76 440
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(240 688)	166 965
Securities lending revenue (see note 7 in the generic notes)	278	1 195
Net gain (loss) on foreign cash balances	(1)	39
TOTAL OTHER INCOME (LOSS)	277	1 234
TOTAL INCOME (LOSS)	(240 411)	168 199
EXPENSES (see notes – Fund Specific Information)		
Administration fees	532	509
Independent Review Committee costs	2	3
GST/HST	54	52
Transaction costs	1 274	1 432
TOTAL EXPENSES	1 862	1 996
INCREASE (DECREASE) IN NAV	\$ (242 273)	\$ 166 203
INCREASE (DECREASE) IN NAV SERIES 0	\$ (242 273)	\$ 166 203
INCREASE (DECREASE) IN NAV PER UNIT SERIES 0	\$ (1.08)	\$ 0.78



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (242 273)	\$ 166 203
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(66 339)	(24 458)
Change in unrealized loss (gain) on investments	385 151	(76 440)
(Increase) decrease in accrued receivables	(549)	(530)
Increase (decrease) in accrued payables	(3)	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 616 672)	(2 334 179)
Proceeds from sale and maturity of investments	1 494 083	2 244 447
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(46 602)	(24 956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	82 232	67 161
Cash paid on redemption of redeemable units	(35 648)	(42 102)
Distributions paid to holders of redeemable units	1	(1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 46 585	\$ 25 058
Net increase (decrease) in cash for the period	(17)	102
Cash (bank overdraft), beginning of period	2 191	2 089
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2 174	\$ 2 191
Interest received (paid)	\$ 479	\$ 281
Dividends received, net of withholding taxes	\$ 75 910	\$ 63 911

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series 0	
	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 2 699 066	\$ 2 507 856
INCREASE (DECREASE) IN NAV	(242 273)	166 203
Early redemption fees	—	—
Proceeds from redeemable units issued	82 238	67 165
Reinvestments of distributions to holders of redeemable units	144 317	87 506
Redemption of redeemable units	(35 593)	(42 157)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	190 962	112 514
Distributions from net income	(76 803)	(65 334)
Distributions from net gains	(67 514)	(22 173)
Distributions from capital	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(144 317)	(87 507)
NET INCREASE (DECREASE) IN NAV	(195 628)	191 210
NAV AT END OF PERIOD	\$ 2 503 438	\$ 2 699 066



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide significant long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund is expected to be used primarily as an underlying fund for other mutual funds but may also be sold directly to other investors.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	35.5	37.3
Energy	19.2	22.4
Industrials	12.2	9.0
Materials	9.9	8.1
Information Technology	4.8	4.7
Communication Services	4.4	0.9
Consumer Discretionary	4.2	8.9
Consumer Staples	3.7	3.2
Real Estate	2.5	2.6
Utilities	2.0	1.5
Cash/Other	1.6	1.4
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	2 462 058	—	—	2 462 058
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	33 462	—	33 462
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	2 462 058	33 462	—	2 495 520
% of total portfolio	98.7	1.3	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	2 661 806	—	—	2 661 806
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	29 032	—	29 032
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	2 661 806	29 032	—	2 690 838
% of total portfolio	98.9	1.1	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series 0	n/a*	0.02%

* Series 0 unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series 0	62	58
Value of all units	1	1

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



December 31, 2018

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series 0		
Opening units	222 476	213 190
Issued number of units	7 049	5 610
Reinvested number of units	13 860	7 213
Redeemed number of units	(2 966)	(3 537)
Ending number of units	240 419	222 476

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	1 274	100	1 432	100
Related-party brokerage commissions*	149	12	78	5
Commission arrangements†	53	4	66	5

* See note 8 in the generic notes.

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

Securities lending revenue (\$000s except %) (see note 7 in the generic notes)

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

	December 31 2018	December 31 2017
Fair value of securities loaned	105 035	102 410
Fair value of collateral received	107 136	104 459

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	377	100	1 820	100
RBC IS (paid)	(94)	(25)	(532)	(29)
Tax withheld	(5)	(1)	(93)	(5)
Fund revenue	278	74	1 195	66

Investments by other related investment funds (%) (see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North Balanced Fund	11.9	11.1
Phillips, Hager & North Balanced Pension Trust	14.8	14.7
Phillips, Hager & North LifeTime 2015 Fund	—	—
Phillips, Hager & North LifeTime 2020 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2025 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2030 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2035 Fund	0.2	0.1
Phillips, Hager & North LifeTime 2040 Fund	0.2	0.1
Phillips, Hager & North LifeTime 2045 Fund	0.3	0.3
Phillips, Hager & North LifeTime 2050 Fund	0.2	0.1
Phillips, Hager & North LifeTime 2055 Fund	—	—
RBC Retirement 2020 Portfolio	0.1	—
RBC Retirement 2025 Portfolio	0.1	—
RBC Retirement 2030 Portfolio	0.1	0.1
RBC Retirement 2035 Portfolio	0.1	0.1
RBC Retirement 2040 Portfolio	0.1	—
RBC Retirement 2045 Portfolio	0.1	—
RBC Retirement 2050 Portfolio	0.1	—
RBC Select Aggressive Growth Portfolio	3.4	3.5
RBC Select Balanced Portfolio	32.2	32.8
RBC Select Conservative Portfolio	15.7	16.0
RBC Select Growth Portfolio	15.9	16.2
RBC Select Very Conservative Portfolio	4.3	4.4
Total	100.1	99.8

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II**

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
1 079 900	Quebecor Inc., Class B	\$ 22 176	\$ 31 036	
94 100	Rogers Communications Inc., Class B	5 513	6 583	
1 630 900	Shaw Communications Inc., Class B	44 614	40 300	
197 700	TELUS Corp.	9 093	8 946	
		81 396	86 865	4.7
Consumer Discretionary				
893 700	Dollarama Inc.	38 785	29 018	
553 000	Gildan Activewear Inc., Class A	21 419	22 916	
224 300	Restaurant Brands International Inc.	16 780	15 997	
		76 984	67 931	3.6
Consumer Staples				
783 200	Alimentation Couche-Tard Inc.	47 109	53 187	
		47 109	53 187	2.8
Energy				
1 889 768	ARC Resources Ltd.	23 927	15 306	
3 895 801	Baytex Energy Corp.	13 444	9 388	
350 300	Cameco Corp.	4 527	5 422	
1 578 013	Canadian Natural Resources Ltd.	62 993	51 980	
2 223 289	Cenovus Energy Inc.	27 399	21 344	
2 437 400	Enbridge Inc.	116 864	103 370	
746 656	Keyera Corp.	24 467	19 271	
738 700	Pembina Pipeline Corp.	31 954	29 925	
963 621	PrairieSky Royalty Ltd.	23 888	17 027	
1 245 400	Suncor Energy Inc.	57 178	47 487	
982 899	Tourmaline Oil Corp.	23 109	16 690	
736 874	TransCanada Corp.	41 350	35 923	
2 166 100	Whitecap Resources Inc.	16 888	9 423	
		467 988	382 556	20.5
Financials				
715 000	Bank of Montreal	67 750	63 771	
1 281 600	Bank of Nova Scotia	95 009	87 213	
1 290 100	Brookfield Asset Management Inc., Class A	61 151	67 498	
218 600	Canadian Imperial Bank of Commerce	24 012	22 227	
3 226 400	Element Fleet Management Corp.	27 098	22 294	
45 900	Fairfax Financial Holdings Ltd.	28 145	27 585	
213 720	Intact Financial Corp.	20 907	21 199	
2 930 500	Manulife Financial Corporation	64 549	56 764	
1 514 100	Royal Bank of Canada*	133 558	141 478	
957 700	Sun Life Financial Inc.	48 412	43 374	
1 789 800	Toronto-Dominion Bank	109 946	121 456	
		680 537	674 859	36.1

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
2 922 200	Bombardier Inc., Class B	\$ 12 851	\$ 5 932	
692 500	Canadian National Railway Co.	70 276	70 019	
151 900	Canadian Pacific Railway Ltd.	36 463	36 796	
453 600	Finning International Inc.	13 687	10 796	
199 376	Ritchie Bros. Auctioneers Inc.	8 341	8 904	
414 000	SNC-Lavalin Group Inc.	23 072	19 011	
773 040	Stantec Inc.	25 377	23 122	
279 270	Thomson Reuters Corp.	14 990	18 412	
285 900	Waste Connections Inc.	23 400	28 970	
		228 457	221 962	11.9
Information Technology				
446 200	CGI Group Inc., Class A	30 695	37 258	
15 300	Constellation Software Inc.	13 052	13 370	
525 510	Open Text Corp.	23 021	23 385	
		66 768	74 013	4.0
Materials				
267 070	Agnico Eagle Mines Ltd.	12 230	14 716	
409 409	Alamos Gold Inc., Class A	3 208	2 010	
1 934 780	B2Gold Corp.	7 013	7 720	
678 910	Barrick Gold Corp.	12 549	12 512	
759 500	Belo Sun Mining Corp.	609	298	
483 100	CCL Industries, Class B	27 111	24 184	
370 220	Continental Gold Inc.	1 105	833	
247 600	Detour Gold Corp.	3 725	2 855	
240 423	Endeavour Mining Corp.	4 925	5 371	
1 467 771	First Quantum Minerals Ltd.	22 921	16 204	
113 100	Franco-Nevada Corp.	9 398	10 827	
510 740	Goldcorp Inc.	9 510	6 829	
385 355	IAMGOLD Corporation	2 777	1 931	
435 370	Kinross Gold Corp.	2 270	1 916	
397 970	Kirkland Lake Gold Ltd.	6 962	14 168	
651 448	Nutrien Ltd.	45 185	41 771	
869 640	OceanaGold Corp.	3 447	4 331	
365 750	Semafo Inc.	1 356	1 079	
455 747	Teck Resources Ltd., Class B	14 437	13 394	
267 243	Torex Gold Resources Inc.	3 888	3 471	
332 230	Wheaton Precious Metals Corp.	8 544	8 854	
		203 170	195 274	10.4
Real Estate				
1 183 429	Brookfield Property Partners LP	30 555	26 059	
743 600	First Capital Realty Inc.	15 222	14 017	
		45 777	40 076	2.1

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
460 953	Brookfield Infrastructure Partners LP	\$ 22 960	\$ 21 734	
473 893	Fortis Inc.	19 978	21 567	
		42 938	43 301	2.3
TOTAL CANADIAN EQUITIES		1 941 124	1 840 024	98.4
SHORT-TERM INVESTMENTS[†]		23 459	23 459	1.3
TOTAL INVESTMENTS		<u>\$1 964 583</u>	1 863 483	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			5 898	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$1 869 381</u>	100.0

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.28% and mature between January 2, 2019 and January 31, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 1 863 483	\$ 1 670 276
Cash	1 757	1 323
Due from investment dealers	150	1 226
Subscriptions receivable	8	1 083
Dividends receivable, interest accrued and other assets	4 150	3 093
TOTAL ASSETS	1 869 548	1 677 001
LIABILITIES		
Due to investment dealers	—	365
Redemptions payable	120	94
Distributions payable	10	—
Accounts payable and accrued expenses	37	33
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	167	492
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 869 381	\$ 1 676 509
Investments at cost	\$ 1 964 583	\$ 1 534 794
NAV		
SERIES F	\$ 1 327	\$ —
SERIES O	\$ 1 868 054	\$ 1 676 509
NAV PER UNIT		
SERIES F	\$ 8.57	\$ —
SERIES O	\$ 8.48	\$ 9.73

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 58 312	\$ 37 002
Interest for distribution purposes	435	163
Income from investment trusts	271	216
Net realized gain (loss) on investments	8 937	41 532
Change in unrealized gain (loss) on investments	(236 582)	5 563
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(168 627)	84 476
Securities lending revenue (see note 7 in the generic notes)	126	127
Net gain (loss) on foreign cash balances	(7)	21
TOTAL OTHER INCOME (LOSS)	119	148
TOTAL INCOME (LOSS)	(168 508)	84 624
EXPENSES (see notes – Fund Specific Information)		
Management fees	1	—
Administration fees	364	299
Independent Review Committee costs	2	3
GST/HST	47	30
Transaction costs	2 517	2 068
TOTAL EXPENSES	2 931	2 400
INCREASE (DECREASE) IN NAV	\$ (171 439)	\$ 82 224
INCREASE (DECREASE) IN NAV		
SERIES F	\$ (60)	\$ —
SERIES O	\$ (171 379)	\$ 82 224
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ (1.30)	\$ —
SERIES O	\$ (0.89)	\$ 0.54



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (171 439)	\$ 82 224
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(6 854)	(39 679)
Change in unrealized loss (gain) on investments	236 582	(5 563)
(Increase) decrease in accrued receivables	(1 057)	(789)
Increase (decrease) in accrued payables	4	8
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(2 562 804)	(3 000 959)
Proceeds from sale and maturity of investments	2 140 580	2 711 227
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(364 988)	(253 531)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	400 670	293 921
Cash paid on redemption of redeemable units	(35 239)	(40 550)
Distributions paid to holders of redeemable units	(9)	(3)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 365 422	\$ 253 368
Net increase (decrease) in cash for the period	434	(163)
Cash (bank overdraft), beginning of period	1 323	1 486
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 1 757	\$ 1 323
Interest received (paid)	\$ 420	\$ 163
Dividends received, net of withholding taxes	\$ 57 270	\$ 36 213

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ —	\$ —	\$ 1 676 509	\$ 1 339 928	\$ 1 676 509	\$ 1 339 928
INCREASE (DECREASE) IN NAV	(60)	—	(171 379)	82 224	(171 439)	82 224
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	1 929	—	398 724	295 004	400 653	295 004
Reinvestments of distributions to holders of redeemable units	44	—	75 776	73 022	75 820	73 022
Redemption of redeemable units	(538)	—	(35 785)	(40 644)	(36 323)	(40 644)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 435	—	438 715	327 382	440 150	327 382
Distributions from net income	(33)	—	(55 901)	(34 539)	(55 934)	(34 539)
Distributions from net gains	(15)	—	(19 890)	(38 486)	(19 905)	(38 486)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(48)	—	(75 791)	(73 025)	(75 839)	(73 025)
NET INCREASE (DECREASE) IN NAV	1 327	—	191 545	336 581	192 872	336 581
NAV AT END OF PERIOD	\$ 1 327	\$ —	\$ 1 868 054	\$ 1 676 509	\$ 1 869 381	\$ 1 676 509



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide significant long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund is expected to be used primarily as an underlying fund for other mutual funds but may also be sold directly to other investors.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	36.1	38.0
Energy	20.5	23.7
Industrials	11.9	8.7
Materials	10.4	8.8
Communication Services	4.7	0.5
Information Technology	4.0	4.6
Consumer Discretionary	3.6	7.3
Consumer Staples	2.8	2.6
Utilities	2.3	1.4
Real Estate	2.1	2.9
Cash/Other	1.6	1.5
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	1 840 024	–	–	1 840 024
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	23 459	–	23 459
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 840 024	23 459	–	1 863 483
% of total portfolio	98.7	1.3	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 652 301	–	–	1 652 301
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	17 975	–	17 975
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 652 301	17 975	–	1 670 276
% of total portfolio	98.9	1.1	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series F	0.60%	0.10%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series F	155	–
Series O	109	105
Value of all units	2	1

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	–	–
Issued number of units	209	–
Reinvested number of units	5	–
Redeemed number of units	(59)	–
Ending number of units	155	–
Series O		
Opening units	172 285	138 170
Issued number of units	42 658	30 745
Reinvested number of units	9 031	7 557
Redeemed number of units	(3 775)	(4 187)
Ending number of units	220 199	172 285

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	2 517	100	2 068	100
Related-party brokerage commissions*	313	12	129	6
Commission arrangements†	187	7	217	10

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	74 324	64 873
Fair value of collateral received	75 811	66 171

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	170	100	196	100
RBC IS (paid)	(42)	(25)	(55)	(28)
Tax withheld	(2)	(1)	(14)	(7)
Fund revenue	126	74	127	65

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
RBC Select Aggressive Growth Portfolio	3.3	2.6
RBC Select Balanced Portfolio	46.7	44.0
RBC Select Conservative Portfolio	24.8	26.1
RBC Select Growth Portfolio	6.3	4.7
RBC Select Very Conservative Portfolio	9.1	10.8
Total	90.2	88.2



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
EQUITIES				
CANADIAN EQUITIES				
Communication Services				
204 000	BCE Inc.	\$ 8 663	\$ 11 002	
90 000	Quebecor Inc., Class B	2 420	2 587	
153 100	Rogers Communications Inc., Class B	6 714	10 711	
232 300	Shaw Communications Inc., Class B	5 538	5 740	
186 300	TELUS Corp.	8 364	8 430	
		31 699	38 470	5.8
Consumer Discretionary				
222 800	Aritzia Inc.	3 541	3 654	
142 300	AutoCanada Inc.	1 586	1 615	
29 400	Canadian Tire Corp. Ltd., Class A	2 889	4 197	
65 400	Dollarama Inc.	3 256	2 124	
55 250	Great Canadian Gaming Corp.	2 736	2 645	
169 200	Magna International Inc., Class A	6 054	10 485	
90 700	Recipe Unlimited Corp.	2 121	2 374	
69 400	Restaurant Brands International Inc.	3 876	4 950	
52 900	Spin Master Corp.	1 125	2 031	
109 900	The Stars Group Inc	3 213	2 477	
993 327	Zungui Haixi Corp.	2 722	—	
		33 119	36 552	5.5
Consumer Staples				
165 000	Alimentation Couche-Tard Inc.	7 379	11 205	
35 949	George Weston Ltd.	3 258	3 237	
69 100	Jamieson Wellness Inc.	1 115	1 474	
83 830	Loblaw Companies Ltd.	3 804	5 123	
83 200	Maple Leaf Foods Inc.	2 572	2 274	
11 100	Premium Brands Holdings Corp.	823	831	
110 400	Saputo Group Inc.	4 404	4 327	
555 556	Sustainable Produce Urban Delivery Inc.* (Private)	1 000	2 500	
		24 355	30 971	4.7
Energy				
873 800	Baytex Energy Corp.	3 765	2 106	
179 500	Cameco Corp.	3 296	2 778	
423 500	Canadian Natural Resources Ltd.	15 484	13 949	
504 300	Cenovus Energy Inc.	9 001	4 840	
547 146	Enbridge Inc.	24 224	23 203	
281 000	Encana Corp.	2 725	2 213	
130 400	Enerflex Ltd.	2 158	2 083	
1 294 100	Gear Energy Ltd.	2 516	737	
414 000	Kelt Exploration Ltd.	2 387	1 920	
864 700	Painted Pony Energy Ltd.	4 449	1 288	
136 000	Parex Resources Inc.	2 846	2 224	
144 400	Pembina Pipeline Corp.	4 855	5 850	
306 300	Secure Energy Services Inc.	3 397	2 147	
594 900	Suncor Energy Inc.	23 036	22 684	
239 700	Tourmaline Oil Corp.	6 828	4 070	
288 900	TransCanada Corp.	12 717	14 084	

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
989 010	Trican Well Service Ltd.	\$ 3 815	\$ 1 177	
115 990	Vermilion Energy Inc.	5 479	3 336	
397 200	Whitecap Resources Inc.	3 697	1 728	
		136 675	112 417	16.9
Financials				
213 600	Bank of Montreal	14 129	19 051	
469 900	Bank of Nova Scotia	27 431	31 977	
327 650	Brookfield Asset Management Inc., Class A	10 246	17 143	
158 200	Canadian Imperial Bank of Commerce	13 295	16 086	
166 300	Element Fleet Management Corp.	1 098	1 149	
5 700	Fairfax Financial Holdings Ltd.	3 705	3 426	
37 900	Intact Financial Corp.	2 635	3 759	
775 800	Manulife Financial Corporation	15 368	15 027	
269 500	Power Corporation of Canada	7 162	6 611	
505 500	Royal Bank of Canada [†]	30 922	47 234	
219 900	Sun Life Financial Inc.	8 592	9 959	
632 100	Toronto-Dominion Bank	27 027	42 894	
		161 610	214 316	32.3
Health Care				
70 800	Bausch Health Co. Inc.	5 770	1 788	
71 000	Canopy Growth Corp.	3 905	2 599	
189 000	Chartwell Retirement Residences	2 846	2 584	
27 272	Moderna Inc.	834	569	
		13 355	7 540	1.1
Industrials				
34 100	AG Growth International Inc.	2 152	1 596	
157 100	Air Canada	2 222	4 078	
1 247 600	Bombardier Inc., Class B	4 368	2 533	
258 600	Canadian National Railway Co.	13 245	26 147	
61 100	Canadian Pacific Railway Ltd.	12 604	14 801	
107 900	SNC-Lavalin Group Inc.	5 290	4 955	
102 865	Thomson Reuters Corp.	4 363	6 782	
120 300	Transcontinental Inc., Class A	2 581	2 322	
91 552	Waste Connections Inc.	5 723	9 277	
		52 548	72 491	10.9
Information Technology				
267 100	BlackBerry Ltd.	3 292	2 594	
83 500	CGI Group Inc., Class A	3 794	6 972	
29 200	Kinaxis Inc.	2 394	1 924	
142 200	Open Text Corp.	5 417	6 328	
38 050	Shopify Inc., Class A	4 792	7 183	
		19 689	25 001	3.8

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
112 900	Agnico Eagle Mines Ltd.	\$ 5 206	\$ 6 221	
158 800	Detour Gold Corp.	2 401	1 831	
121 000	Endeavour Mining Corp.	2 752	2 703	
231 000	First Quantum Minerals Ltd.	4 314	2 550	
35 200	Franco-Nevada Corp.	2 586	3 370	
281 100	Goldcorp Inc.	8 122	3 758	
129 600	Interfor Corp.	1 890	1 869	
5 266 700	Jaguar Mining Inc.	1 514	1 106	
33 000	Kirkland Lake Gold Ltd.	776	1 175	
116 000	Labrador Iron Ore Royalty Corp.	2 955	2 812	
335 300	Lundin Mining Corp.	1 782	1 891	
96 105	Neo Performance Materials Inc.	1 704	1 480	
225 404	Nutrien Ltd.	14 728	14 453	
848 900	OceanaGold Corp.	2 521	4 228	
367 900	Tahoe Resources Inc.	5 140	1 828	
208 900	Teck Resources Ltd., Class B	6 769	6 140	
187 030	Torex Gold Resources Inc.	3 100	2 430	
194 800	Wheaton Precious Metals Corp.	5 022	5 191	
805 900	Yamana Gold Inc.	3 554	2 587	
		76 836	67 623	10.2
Real Estate				
69 000	Allied Properties Real Estate Investment Trust	2 809	3 058	
172 800	Brookfield Property Partners LP	4 335	3 805	
266 712	Choice Properties Real Estate Investment Trust	2 198	3 073	
27 800	FirstService Corp.	2 807	2 605	
161 800	InterRent Real Estate Investment Trust	1 712	2 111	
228 100	Invesque Inc.	2 951	2 220	
842 300	StorageVault Canada Inc.	808	1 996	
225 700	Tricon Capital Group Inc.	2 353	2 187	
		19 973	21 055	3.2
Utilities				
285 400	Algonquin Power & Utilities Corp.	3 222	3 919	
161 300	Boralex Inc., Class A	2 816	2 716	
86 400	Brookfield Infrastructure Partners LP	4 437	4 074	
266 800	Superior Plus Corp.	2 404	2 583	
		12 879	13 292	2.0
TOTAL CANADIAN EQUITIES		582 738	639 728	96.4
UNITED KINGDOM EQUITIES				
Communication Services				
440 000	Entertainment One Ltd.	2 619	2 730	
TOTAL UNITED KINGDOM EQUITIES		2 619	2 730	0.4

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Information Technology				
13 353	Ceridian HCM Holding Inc.	\$ 378	\$ 628	
		378	628	0.1
TOTAL UNITED STATES EQUITIES		585 735	643 086	96.9
TOTAL EQUITIES		17 636	17 636	2.7
SHORT-TERM INVESTMENTS[‡]		603 371	660 722	99.6
TOTAL INVESTMENTS				
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		—	(39)	—
TOTAL PORTFOLIO		\$ 603 371	660 683	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			2 823	0.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		\$ 663 506		100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 75 Sold CAD 102 @ 0.7357	26-Feb-2019	\$ —
		\$ —
Contracts	Maturity Date	Unrealized Loss
Bought CAD 1 735 Sold USD 1 301 @ 1.3333	26-Feb-2019	\$ (39)
		\$ (39)
TOTAL FOREIGN EXCHANGE		\$ (39)

All counterparties have a credit rating of at least A.

* Illiquid security.

† Investment in related party (see note 8 in the generic notes).

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.28% and mature between January 2, 2019 and January 31, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 660 722	\$ 651 061
Cash	681	748
Subscriptions receivable	395	111
Unrealized gain on foreign exchange contracts	–	1
Dividends receivable, interest accrued and other assets	1 878	1 424
TOTAL ASSETS	663 676	653 345
LIABILITIES		
Redemptions payable	20	40
Unrealized loss on foreign exchange contracts	39	7
Accounts payable and accrued expenses	111	127
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	170	174
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 663 506	\$ 653 171
Investments at cost	\$ 603 371	\$ 520 068
NAV		
SERIES A	\$ 1 813	\$ 2 324
ADVISOR SERIES	\$ 89	\$ 63
SERIES D	\$ 96 854	\$ 117 612
SERIES F	\$ 2 012	\$ 2 059
SERIES O	\$ 562 738	\$ 531 113
NAV PER UNIT		
SERIES A	\$ 33.63	\$ 38.13
ADVISOR SERIES	\$ 33.63	\$ 38.14
SERIES D	\$ 33.22	\$ 37.68
SERIES F	\$ 33.42	\$ 37.91
SERIES O	\$ 34.06	\$ 38.65

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 19 745	\$ 15 843
Interest for distribution purposes	327	224
Income from investment trusts	333	245
Derivative income	(246)	33
Net realized gain (loss) on investments	(10 441)	11 183
Change in unrealized gain (loss) on investments	(73 675)	19 874
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(63 957)	47 402
Securities lending revenue (see note 7 in the generic notes)	181	5
Net gain (loss) on foreign cash balances	18	(2)
TOTAL OTHER INCOME (LOSS)	199	3
TOTAL INCOME (LOSS)	(63 758)	47 405
EXPENSES (see notes – Fund Specific Information)		
Management fees	985	1 043
Administration fees	345	318
Independent Review Committee costs	2	3
GST/HST	116	111
Transaction costs	362	227
Withholding tax	4	7
TOTAL EXPENSES	1 814	1 709
INCREASE (DECREASE) IN NAV	\$ (65 572)	\$ 45 696
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (228)	\$ 134
ADVISOR SERIES	\$ (8)	\$ 2
SERIES D	\$ (11 121)	\$ 7 696
SERIES F	\$ (232)	\$ 133
SERIES O	\$ (53 983)	\$ 37 731
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (3.99)	\$ 2.13
ADVISOR SERIES	\$ (3.12)	\$ 0.93
SERIES D	\$ (3.71)	\$ 2.41
SERIES F	\$ (3.91)	\$ 2.89
SERIES O	\$ (3.57)	\$ 2.94



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (65 572)	\$ 45 696
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	10 739	(10 951)
Change in unrealized loss (gain) on investments	73 675	(19 874)
(Increase) decrease in accrued receivables	(454)	(202)
Increase (decrease) in accrued payables	(16)	3
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(685 507)	(724 952)
Proceeds from sale and maturity of investments	591 465	679 669
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(75 670)	(30 611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	96 973	52 113
Cash paid on redemption of redeemable units	(21 247)	(20 948)
Distributions paid to holders of redeemable units	(123)	(131)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 75 603	\$ 31 034
Net increase (decrease) in cash for the period	(67)	423
Cash (bank overdraft), beginning of period	748	325
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 681	\$ 748
Interest received (paid)	\$ 292	\$ 229
Dividends received, net of withholding taxes	\$ 19 321	\$ 15 631

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 2 324	\$ 2 205	\$ 63	\$ 170	\$ 117 612	\$ 119 163	\$ 2 059	\$ 1 594
INCREASE (DECREASE) IN NAV	(228)	134	(8)	2	(11 121)	7 696	(232)	133
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	144	495	51	30	1 679	2 671	660	830
Reinvestments of distributions to holders of redeemable units	20	19	1	1	1 824	1 898	43	38
Redemption of redeemable units	(427)	(509)	(17)	(140)	(11 289)	(11 891)	(474)	(497)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(263)	5	35	(109)	(7 786)	(7 322)	229	371
Distributions from net income	(20)	(14)	(1)	—	(1 851)	(1 618)	(44)	(34)
Distributions from net gains	—	(6)	—	—	—	(307)	—	(5)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(20)	(20)	(1)	—	(1 851)	(1 925)	(44)	(39)
NET INCREASE (DECREASE) IN NAV	(511)	119	26	(107)	(20 758)	(1 551)	(47)	465
NAV AT END OF PERIOD	\$ 1 813	\$ 2 324	\$ 89	\$ 63	\$ 96 854	\$ 117 612	\$ 2 012	\$ 2 059

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 531 113	\$ 453 111	\$ 653 171	\$ 576 243
INCREASE (DECREASE) IN NAV	(53 983)	37 731	(65 572)	45 696
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	95 549	48 979	98 083	53 005
Reinvestments of distributions to holders of redeemable units	16 192	13 701	18 080	15 657
Redemption of redeemable units	(9 846)	(8 605)	(22 053)	(21 642)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	101 895	54 075	94 110	47 020
Distributions from net income	(16 287)	(12 434)	(18 203)	(14 100)
Distributions from net gains	—	(1 370)	—	(1 688)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(16 287)	(13 804)	(18 203)	(15 788)
NET INCREASE (DECREASE) IN NAV	31 625	78 002	10 335	76 928
NAV AT END OF PERIOD	\$ 562 738	\$ 531 113	\$ 663 506	\$ 653 171

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund also may invest a portion of its assets in U.S. and international securities in order to achieve greater exposure to industries that are not well represented in Canada.

Financial instrument risk and capital management (see note 5 in the generic notes)

Liquidity risk (%)

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.4% (December 31, 2017 – 0.3%) of the NAV of the Fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	32.3	34.2
Energy	16.9	20.9
Industrials	10.9	8.4
Materials	10.2	9.7
Communication Services	6.2	3.3
Consumer Discretionary	5.5	6.1
Consumer Staples	4.7	4.1
Information Technology	3.9	3.8
Real Estate	3.2	3.1
Utilities	2.0	3.0
Health Care	1.1	0.5
Cash/Other	3.1	2.9
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.0

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

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	637 856	2 730	2 500	643 086
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	17 636	–	17 636
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(39)	–	(39)
Total financial instruments	637 856	20 327	2 500	660 683
% of total portfolio	96.5	3.1	0.4	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	626 600	5 666	1 667	633 933
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	17 128	–	17 128
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(7)	–	(7)
Total financial instruments	626 600	22 788	1 667	651 055
% of total portfolio	96.2	3.5	0.3	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

During the periods ended December 31, 2018 and 2017, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2018	December 31 2017
Balance at beginning of period	1 667	1 500
Net purchases	–	–
Net sales	–	–
Net transfers in (out)	–	–
Realized gains (losses)	–	–
Change in unrealized gains (losses)	833	167
Balance at end of period	2 500	1 667
Change in unrealized gains (losses) for Level 3 assets held at end of period	833	167

The Fund fair values certain of its Level 3 investments (privately held investments) using prior transaction prices (acquisition cost), although the transaction may not have occurred during the current reporting period. As there may not be a secondary market, and/or there are a limited number of investors, the valuations are reviewed utilizing available market information to determine if the carrying value should be adjusted. Such market information may



December 31, 2018

include, but is not limited to, observations of the trading multiples of public companies considered comparable to the private companies being valued, financial or operational information released by the company, and/or news or corporate events that affect the investment. Valuations may be adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the investments being fair valued by the Fund.

As at December 31, 2018, a 5% increase or decrease in the fair valuations using significant unobservable inputs on Level 3 investments would have increased or decreased the Fund's NAV, respectively, by approximately 0.0% (December 31, 2017 – 0.0%).

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.04%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	19	19
Advisor Series	38	37
Series F	21	21
Series O	22	22
Value of all units	3	4

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	10 929
Non-capital losses	–

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

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	61	61
Issued number of units	3	13
Reinvested number of units	1	1
Redeemed number of units	(11)	(14)
Ending number of units	54	61

Advisor Series		
Opening units	2	5
Issued number of units	1	1
Reinvested number of units	–	–
Redeemed number of units	–	(4)
Ending number of units	3	2

Series D		
Opening units	3 122	3 322
Issued number of units	45	73
Reinvested number of units	55	51
Redeemed number of units	(307)	(324)
Ending number of units	2 915	3 122

Series F		
Opening units	54	44
Issued number of units	18	23
Reinvested number of units	1	1
Redeemed number of units	(13)	(14)
Ending number of units	60	54

Series O		
Opening units	13 741	12 310
Issued number of units	2 554	1 305
Reinvested number of units	480	356
Redeemed number of units	(255)	(230)
Ending number of units	16 520	13 741

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	362	100	227	100
Related-party brokerage commissions*	86	24	53	23
Commission arrangements†	84	23	14	6

* See note 8 in the generic notes.

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



December 31, 2018

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	54 424	48 593
Fair value of collateral received	55 512	49 565

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	259	100	8	100
RBC IS (paid)	(64)	(25)	(2)	(25)
Tax withheld	(14)	(5)	(1)	(7)
Fund revenue	181	70	5	68

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
RBC Retirement 2025 Portfolio	0.1	–
RBC Retirement 2030 Portfolio	0.2	0.1
RBC Retirement 2035 Portfolio	0.2	0.1
RBC Retirement 2040 Portfolio	0.2	0.1
RBC Retirement 2045 Portfolio	0.2	0.1
RBC Retirement 2050 Portfolio	0.2	0.1
RBC Select Aggressive Growth Portfolio	18.4	17.3
RBC Select Choices Aggressive Growth Portfolio	1.6	1.7
RBC Select Choices Growth Portfolio	1.3	1.5
RBC Select Growth Portfolio	58.6	55.9
RBC Target 2030 Education Fund	2.3	3.0
RBC Target 2035 Education Fund	0.5	0.1
Total	83.8	80.0

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	–	(39)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	–	(39)
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	–	(39)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	1	(7)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	1	(7)
Related amounts not set-off	(1)	1
Collateral (received) pledged	–	–
Net amount	–	(6)



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

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
517 700	Quebecor Inc., Class B	\$ 10 897	\$ 14 879	
126 492	Rogers Communications Inc., Class B	7 975	8 849	
801 300	Shaw Communications Inc., Class B	22 141	19 800	
184 900	TELUS Corp.	8 882	8 367	
		49 895	51 895	6.4
Consumer Discretionary				
310 500	Dollarama Inc.	12 104	10 082	
211 400	Gildan Activewear Inc., Class A	8 207	8 760	
116 500	Restaurant Brands International Inc.	8 747	8 309	
		29 058	27 151	3.3
Consumer Staples				
256 500	Alimentation Couche-Tard Inc.	15 062	17 419	
		15 062	17 419	2.2
Energy				
1 104 018	ARC Resources Ltd.	14 419	8 943	
521 600	Canadian Natural Resources Ltd.	21 504	17 181	
695 618	Cenovus Energy Inc.	8 721	6 677	
1 147 390	Enbridge Inc.	57 909	48 661	
381 470	Keyera Corp.	12 397	9 846	
281 200	Pembina Pipeline Corp.	12 197	11 391	
616 500	PrairieSky Royalty Ltd.	14 959	10 894	
372 000	Suncor Energy Inc.	16 292	14 184	
411 891	Tourmaline Oil Corp.	9 723	6 994	
390 137	TransCanada Corp.	21 821	19 019	
1 657 300	Whitecap Resources Inc.	12 244	7 209	
		202 186	160 999	19.8
Financials				
340 400	Bank of Montreal	32 554	30 360	
666 400	Bank of Nova Scotia	51 152	45 349	
584 500	Brookfield Asset Management Inc., Class A	28 000	30 581	
118 900	Canadian Imperial Bank of Commerce	13 002	12 090	
1 402 800	Element Fleet Management Corp.	12 463	9 693	
20 900	Fairfax Financial Holdings Ltd.	13 321	12 560	
106 825	Intact Financial Corp.	10 544	10 596	
1 039 700	Manulife Financial Corporation	23 666	20 139	
751 700	Royal Bank of Canada*	65 595	70 239	
360 800	Sun Life Financial Inc.	18 794	16 341	
928 900	Toronto-Dominion Bank	59 295	63 035	
		328 386	320 983	39.5

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
368 600	Canadian National Railway Co.	\$ 36 332	\$ 37 269	
66 200	Canadian Pacific Railway Ltd.	15 000	16 036	
161 400	Finning International Inc.	4 538	3 841	
101 445	Ritchie Bros. Auctioneers Inc.	4 241	4 531	
185 200	SNC-Lavalin Group Inc.	10 294	8 504	
275 300	Stantec Inc.	8 905	8 234	
127 287	Thomson Reuters Corp.	7 098	8 392	
112 600	Waste Connections Inc.	9 279	11 410	
		95 687	98 217	12.1
Information Technology				
101 300	CGI Group Inc., Class A	6 682	8 459	
8 000	Constellation Software Inc.	6 074	6 991	
142 412	Open Text Corp.	6 044	6 337	
		18 800	21 787	2.7
Materials				
165 000	Agnico Eagle Mines Ltd.	8 441	9 092	
158 400	CCL Industries, Class B	8 911	7 930	
419 300	First Quantum Minerals Ltd.	7 534	4 629	
40 900	Franco-Nevada Corp.	3 584	3 915	
142 100	Kirkland Lake Gold Ltd.	3 280	5 059	
280 612	Nutrien Ltd.	17 717	17 993	
		49 467	48 618	6.0
Real Estate				
646 300	Brookfield Property Partners LP	16 905	14 232	
679 678	Choice Properties Real Estate Investment Trust	8 284	7 830	
563 300	First Capital Realty Inc.	11 342	10 618	
		36 531	32 680	4.0
Utilities				
242 693	Brookfield Infrastructure Partners LP	11 489	11 443	
259 500	Fortis Inc.	10 997	11 810	
		22 486	23 253	2.9
TOTAL CANADIAN EQUITIES		847 558	803 002	98.9
SHORT-TERM INVESTMENTS†		5 220	5 220	0.7
TOTAL INVESTMENTS		\$ 852 778	808 222	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		\$ 811 806		100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.95% to 2.16% and mature between January 4, 2019 and January 15, 2019.

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 808 222	\$ 929 172
Cash	1 537	1 374
Due from investment dealers	73	900
Subscriptions receivable	8	14
Unrealized gain on foreign exchange contracts	–	76
Dividends receivable, interest accrued and other assets	2 136	2 195
TOTAL ASSETS	811 976	933 731
LIABILITIES		
Due to investment dealers	–	214
Redemptions payable	78	10
Unrealized loss on foreign exchange contracts	–	17
Accounts payable and accrued expenses	92	111
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	170	352
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 811 806	\$ 933 379
Investments at cost	\$ 852 778	\$ 862 282
NAV		
SERIES A	\$ 3 306	\$ 4 019
ADVISOR SERIES	\$ 698	\$ 944
SERIES D	\$ 48 337	\$ 61 059
SERIES F	\$ 1 383	\$ 2 016
SERIES O	\$ 758 082	\$ 865 341
NAV PER UNIT		
SERIES A	\$ 13.71	\$ 15.67
ADVISOR SERIES	\$ 13.69	\$ 15.66
SERIES D	\$ 13.66	\$ 15.63
SERIES F	\$ 13.63	\$ 15.62
SERIES O	\$ 13.54	\$ 15.49

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 27 393	\$ 25 086
Interest for distribution purposes	146	1 149
Income from investment trusts	367	408
Derivative income	151	926
Net realized gain (loss) on investments	13 691	61 851
Change in unrealized gain (loss) on investments	(111 505)	(18 705)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(69 757)	70 715
Securities lending revenue (see note 7 in the generic notes)	70	6
Net gain (loss) on foreign cash balances	(12)	(123)
TOTAL OTHER INCOME (LOSS)	58	(117)
TOTAL INCOME (LOSS)	(69 699)	70 598
EXPENSES (see notes – Fund Specific Information)		
Management fees	553	618
Administration fees	552	587
Independent Review Committee costs	2	3
GST/HST	99	107
Transaction costs	1 278	1 596
TOTAL EXPENSES	2 484	2 911
INCREASE (DECREASE) IN NAV	\$ (72 183)	\$ 67 687
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (369)	\$ 226
ADVISOR SERIES	\$ (83)	\$ 53
SERIES D	\$ (4 865)	\$ 3 887
SERIES F	\$ (144)	\$ 130
SERIES O	\$ (66 722)	\$ 63 391
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (1.51)	\$ 0.85
ADVISOR SERIES	\$ (1.65)	\$ 0.85
SERIES D	\$ (1.33)	\$ 0.99
SERIES F	\$ (1.25)	\$ 1.20
SERIES O	\$ (1.23)	\$ 1.15



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (72 183)	\$ 67 687
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(12 416)	(60 189)
Change in unrealized loss (gain) on investments	111 505	18 705
(Increase) decrease in accrued receivables	59	(306)
Increase (decrease) in accrued payables	(19)	(1)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 015 722)	(1 726 599)
Proceeds from sale and maturity of investments	1 038 255	1 768 659
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	49 479	67 956
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	50 764	43 646
Cash paid on redemption of redeemable units	(98 037)	(109 919)
Distributions paid to holders of redeemable units	(2 043)	(3 655)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (49 316)	\$ (69 928)
Net increase (decrease) in cash for the period	163	(1 972)
Cash (bank overdraft), beginning of period	1 374	3 346
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 1 537	\$ 1 374
Interest received (paid)	\$ 416	\$ 1 004
Dividends received, net of withholding taxes	\$ 27 181	\$ 24 926

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 4 019	\$ 4 698	\$ 944	\$ 1 049	\$ 61 059	\$ 62 851	\$ 2 016	\$ 1 361
INCREASE (DECREASE) IN NAV	(369)	226	(83)	53	(4 865)	3 887	(144)	130
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	261	328	34	18	2 111	4 302	320	955
Reinvestments of distributions to holders of redeemable units	86	160	19	43	1 902	3 315	48	75
Redemption of redeemable units	(582)	(1 190)	(193)	(170)	(9 771)	(9 599)	(787)	(381)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(235)	(702)	(140)	(109)	(5 758)	(1 982)	(419)	649
Distributions from net income	(43)	(37)	(9)	(9)	(1 133)	(1 128)	(42)	(39)
Distributions from net gains	(66)	(166)	(14)	(40)	(966)	(2 569)	(28)	(85)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(109)	(203)	(23)	(49)	(2 099)	(3 697)	(70)	(124)
NET INCREASE (DECREASE) IN NAV	(713)	(679)	(246)	(105)	(12 722)	(1 792)	(633)	655
NAV AT END OF PERIOD	\$ 3 306	\$ 4 019	\$ 698	\$ 944	\$ 48 337	\$ 61 059	\$ 1 383	\$ 2 016

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 865 341	\$ 865 635	\$ 933 379	\$ 935 594
INCREASE (DECREASE) IN NAV	(66 722)	63 391	(72 183)	67 687
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	48 573	39 251	51 299	44 854
Reinvestments of distributions to holders of redeemable units	37 990	57 236	40 045	60 829
Redemption of redeemable units	(87 313)	(99 761)	(98 646)	(111 101)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(750)	(3 274)	(7 302)	(5 418)
Distributions from net income	(24 641)	(24 050)	(25 868)	(25 263)
Distributions from net gains	(15 146)	(36 361)	(16 220)	(39 221)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(39 787)	(60 411)	(42 088)	(64 484)
NET INCREASE (DECREASE) IN NAV	(107 259)	(294)	(121 573)	(2 215)
NAV AT END OF PERIOD	\$ 758 082	\$ 865 341	\$ 811 806	\$ 933 379

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with capital preservation and a reasonably consistent level of income.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	39.5	42.1
Energy	19.8	22.1
Industrials	12.1	9.3
Communication Services	6.4	1.6
Materials	6.0	3.3
Real Estate	4.0	3.8
Consumer Discretionary	3.3	6.3
Utilities	2.9	1.5
Information Technology	2.7	4.6
Consumer Staples	2.2	2.9
Cash/Other	1.1	2.5
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	803 002	–	–	803 002
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	5 220	–	5 220
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	803 002	5 220	–	808 222
% of total portfolio	99.4	0.6	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	909 939	–	–	909 939
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	9 034	–	9 034
Short-term investments	–	10 199	–	10 199
Derivatives – assets	–	76	–	76
Derivatives – liabilities	–	(17)	–	(17)
Total financial instruments	909 939	19 292	–	929 231
% of total portfolio	97.9	2.1	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.06%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	55	53
Advisor Series	108	105
Series D	58	56
Series F	60	58
Series O	65	62
Value of all units	5	5

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	256	301
Issued number of units	17	21
Reinvested number of units	6	10
Redeemed number of units	(38)	(76)
Ending number of units	241	256
Advisor Series		
Opening units	60	67
Issued number of units	3	1
Reinvested number of units	1	3
Redeemed number of units	(13)	(11)
Ending number of units	51	60
Series D		
Opening units	3 906	4 033
Issued number of units	143	272
Reinvested number of units	134	212
Redeemed number of units	(644)	(611)
Ending number of units	3 539	3 906
Series F		
Opening units	129	87
Issued number of units	21	61
Reinvested number of units	3	5
Redeemed number of units	(52)	(24)
Ending number of units	101	129

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series O		
Opening units	55 874	56 030
Issued number of units	3 235	2 531
Reinvested number of units	2 669	3 696
Redeemed number of units	(5 777)	(6 383)
Ending number of units	56 001	55 874

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	1 278	100	1 596	100
Related-party brokerage commissions*	159	12	107	7
Commission arrangements†	106	8	186	12

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	23 571	35 470
Fair value of collateral received	24 042	36 179

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	98	100	8	100
RBC IS (paid)	(25)	(25)	(2)	(25)
Tax withheld	(3)	(3)	—	—
Fund revenue	70	72	6	75

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
RBC Managed Payout Solution	33.3	32.4
RBC Managed Payout Solution – Enhanced	16.2	15.6
RBC Managed Payout Solution – Enhanced Plus	36.4	35.8
Total	85.9	83.8

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



December 31, 2018

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	–	–
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	–	–
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	–	–

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	76	(17)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	76	(17)
Related amounts not set-off	(9)	9
Collateral (received) pledged	–	–
Net amount	67	(8)

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



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

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
34 400	Quebecor Inc., Class B	\$ 566	\$ 989	
61 400	Shaw Communications Inc., Class B	1 716	1 517	
		2 282	2 506	4.4
Consumer Discretionary				
39 070	Aritzia Inc.	557	641	
25 100	Dollarama Inc.	626	815	
13 000	Gildan Activewear Inc., Class A	454	539	
88 900	Real Matters Inc.	481	293	
20 100	Sleep Country Canada Holdings Inc.	362	401	
		2 480	2 689	4.7
Consumer Staples				
27 800	Alimentation Couche-Tard Inc.	1 273	1 888	
29 600	Jamieson Wellness Inc.	482	631	
1 807	Lassonde Industries Inc.	438	360	
16 000	Maple Leaf Foods Inc.	361	437	
38 040	Mav Beauty Brands Inc.	532	406	
2 544	Premium Brands Holdings Corp.	304	190	
		3 390	3 912	6.8
Energy				
41 800	ARC Resources Ltd.	674	339	
97 924	Baytex Energy Corp.	420	235	
40 400	Canadian Natural Resources Ltd.	1 583	1 330	
59 100	Cenovus Energy Inc.	834	567	
56 100	Enbridge Inc.	2 819	2 379	
13 285	Keyera Corp.	438	343	
27 800	Pembina Pipeline Corp.	1 262	1 126	
25 800	PrairieSky Royalty Ltd.	661	456	
60 700	Secure Energy Services Inc.	568	426	
39 900	Suncor Energy Inc.	1 814	1 521	
18 821	Tourmaline Oil Corp.	507	320	
11 000	TransCanada Corp.	694	536	
59 000	Whitecap Resources Inc.	515	257	
		12 789	9 835	17.2
Financials				
15 200	Bank of Montreal	1 447	1 356	
38 600	Bank of Nova Scotia	2 512	2 627	
40 800	Brookfield Asset Management Inc., Class A	1 664	2 135	
154 500	Element Fleet Management Corp.	1 262	1 068	
1 300	Fairfax Financial Holdings Ltd.	757	781	
9 135	Intact Financial Corp.	875	906	
56 500	Manulife Financial Corporation	1 184	1 094	
43 900	Royal Bank of Canada*	3 399	4 102	
17 400	Sun Life Financial Inc.	922	788	
273 600	The Westaim Corp.	827	706	
51 900	Toronto-Dominion Bank	2 541	3 522	
		17 390	19 085	33.3

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
44 366	Badger Daylighting Ltd.	\$ 1 027	\$ 1 431	
5 900	Boyd Group Income Fund	414	666	
11 800	Canadian National Railway Co.	993	1 193	
8 000	K-Bro Linen Inc.	291	268	
14 438	Morneau Shepell Inc.	387	362	
16 900	Richelieu Hardware Ltd.	301	383	
14 823	Ritchie Bros. Auctioneers Inc.	547	662	
13 900	SNC-Lavalin Group Inc.	780	638	
52 900	Stantec Inc.	1 723	1 582	
6 872	Thomson Reuters Corp.	408	453	
13 200	Toromont Industries Ltd.	708	716	
1 200	Waste Connections Inc.	80	122	
		7 659	8 476	14.8
Information Technology				
150 105	Blackline Safety Corp.	454	784	
14 500	CGI Group Inc., Class A	872	1 211	
500	Constellation Software Inc.	303	437	
9 100	Kinaxis Inc.	372	600	
22 636	Open Text Corp.	884	1 007	
		2 885	4 039	7.0
Materials				
5 600	Agnico Eagle Mines Ltd.	312	309	
9 400	CCL Industries, Class B	369	471	
48 600	First Quantum Minerals Ltd.	589	537	
9 800	Franco-Nevada Corp.	767	938	
16 500	Goldcorp Inc.	286	221	
18 189	Stella-Jones Inc.	731	720	
14 600	Teck Resources Ltd., Class B	371	429	
		3 425	3 625	6.3
Real Estate				
13 800	Altus Group Ltd.	425	327	
25 000	First Capital Realty Inc.	503	471	
11 200	Mainstreet Equity Corp.	413	470	
69 685	Tricon Capital Group Inc.	742	675	
		2 083	1 943	3.4
Utilities				
10 450	Brookfield Infrastructure Partners LP	420	493	
		420	493	0.9
TOTAL CANADIAN EQUITIES				
		54 803	56 603	98.8
SHORT-TERM INVESTMENTS†				
		500	500	0.9
TOTAL INVESTMENTS				
		\$ 55 303	57 103	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			154	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			\$ 57 257	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.95% and mature between January 3, 2019 and January 7, 2019.

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 57 103	\$ 67 362
Cash	103	90
Due from investment dealers	–	39
Subscriptions receivable	–	124
Dividends receivable, interest accrued and other assets	103	97
TOTAL ASSETS	57 309	67 712
LIABILITIES		
Due to investment dealers	–	13
Redemptions payable	20	27
Accounts payable and accrued expenses	32	43
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	52	83
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 57 257	\$ 67 629
Investments at cost	\$ 55 303	\$ 56 201
NAV		
SERIES A	\$ 913	\$ 1 349
ADVISOR SERIES	\$ 436	\$ 877
SERIES D	\$ 24 314	\$ 32 105
SERIES F	\$ 2 149	\$ 2 177
SERIES O	\$ 29 445	\$ 31 121
NAV PER UNIT		
SERIES A	\$ 27.49	\$ 31.03
ADVISOR SERIES	\$ 27.53	\$ 31.07
SERIES D	\$ 28.67	\$ 32.38
SERIES F	\$ 29.82	\$ 33.66
SERIES O	\$ 31.17	\$ 35.20

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 688	\$ 1 379
Interest for distribution purposes	7	9
Income from investment trusts	5	11
Net realized gain (loss) on investments	1 776	3 245
Change in unrealized gain (loss) on investments	(9 361)	(201)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(5 885)	4 443
Securities lending revenue		
(see note 7 in the generic notes)	79	12
Net gain (loss) on foreign cash balances	–	1
TOTAL OTHER INCOME (LOSS)	79	13
TOTAL INCOME (LOSS)	(5 806)	4 456
EXPENSES (see notes – Fund Specific Information)		
Management fees	360	423
Administration fees	51	53
Independent Review Committee costs	2	3
GST/HST	31	36
Transaction costs	36	60
TOTAL EXPENSES	480	575
INCREASE (DECREASE) IN NAV	\$ (6 286)	\$ 3 881
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (120)	\$ 69
ADVISOR SERIES	\$ (61)	\$ 37
SERIES D	\$ (2 827)	\$ 1 753
SERIES F	\$ (235)	\$ 102
SERIES O	\$ (3 043)	\$ 1 920
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (3.33)	\$ 1.39
ADVISOR SERIES	\$ (3.31)	\$ 1.33
SERIES D	\$ (3.17)	\$ 1.62
SERIES F	\$ (3.50)	\$ 2.78
SERIES O	\$ (3.19)	\$ 2.42

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



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (6 286)	\$ 3 881
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(1 738)	(3 183)
Change in unrealized loss (gain) on investments	9 361	201
(Increase) decrease in accrued receivables	(6)	(4)
Increase (decrease) in accrued payables	(11)	(2)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(44 017)	(147 812)
Proceeds from sale and maturity of investments	46 679	145 591
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3 982	(1 328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	10 591	11 413
Cash paid on redemption of redeemable units	(13 894)	(9 650)
Distributions paid to holders of redeemable units	(666)	(443)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (3 969)	\$ 1 320
Net increase (decrease) in cash for the period	13	(8)
Cash (bank overdraft), beginning of period	90	98
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 103	\$ 90
Interest received (paid)	\$ 7	\$ 9
Dividends received, net of withholding taxes	\$ 1 682	\$ 1 375

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 349	\$ 1 702	\$ 877	\$ 797	\$ 32 105	\$ 34 976	\$ 2 177	\$ 987
INCREASE (DECREASE) IN NAV	(120)	69	(61)	37	(2 827)	1 753	(235)	102
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	40	151	53	143	657	1 968	613	1 575
Reinvestments of distributions to holders of redeemable units	3	—	3	—	355	164	28	13
Redemption of redeemable units	(353)	(573)	(433)	(100)	(5 614)	(6 586)	(397)	(484)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(310)	(422)	(377)	43	(4 602)	(4 454)	244	1 104
Distributions from net income	(6)	—	(3)	—	(362)	(170)	(37)	(16)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(6)	—	(3)	—	(362)	(170)	(37)	(16)
NET INCREASE (DECREASE) IN NAV	(436)	(353)	(441)	80	(7 791)	(2 871)	(28)	1 190
NAV AT END OF PERIOD	\$ 913	\$ 1 349	\$ 436	\$ 877	\$ 24 314	\$ 32 105	\$ 2 149	\$ 2 177

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 31 121	\$ 23 929	\$ 67 629	\$ 62 391
INCREASE (DECREASE) IN NAV	(3 043)	1 920	(6 286)	3 881
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	9 578	7 936	10 941	11 773
Reinvestments of distributions to holders of redeemable units	156	121	545	298
Redemption of redeemable units	(7 564)	(2 230)	(14 361)	(9 973)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	2 170	5 827	(2 875)	2 098
Distributions from net income	(803)	(555)	(1 211)	(741)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(803)	(555)	(1 211)	(741)
NET INCREASE (DECREASE) IN NAV	(1 676)	7 192	(10 372)	5 238
NAV AT END OF PERIOD	\$ 29 445	\$ 31 121	\$ 57 257	\$ 67 629

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and dividend income by investing primarily in a well-diversified portfolio of Canadian common stocks listed on the TSX.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	33.3	32.8
Energy	17.2	20.3
Industrials	14.8	12.1
Information Technology	7.0	6.9
Consumer Staples	6.8	5.5
Materials	6.3	6.1
Consumer Discretionary	4.7	11.2
Communication Services	4.4	—
Real Estate	3.4	2.4
Utilities	0.9	0.9
Cash/Other	1.2	1.8
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.9	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	56 603	—	—	56 603
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	500	—	500
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	56 603	500	—	57 103
% of total portfolio	99.1	0.9	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	66 437	—	—	66 437
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	925	—	925
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	66 437	925	—	67 362
% of total portfolio	98.6	1.4	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.85%	0.10%
Advisor Series	1.85%	0.10%
Series D	1.10%	0.10%
Series F	0.85%	0.10%
Series O	n/a*	0.06%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	28	28
Advisor Series	55	55
Series F	29	28
Series O	30	29
Value of all units	4	5

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	26 802
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	43	57
Issued number of units	2	5
Reinvested number of units	—	—
Redeemed number of units	(12)	(19)
Ending number of units	33	43
Advisor Series		
Opening units	28	27
Issued number of units	2	4
Reinvested number of units	—	—
Redeemed number of units	(14)	(3)
Ending number of units	16	28
Series D		
Opening units	991	1 134
Issued number of units	21	63
Reinvested number of units	13	5
Redeemed number of units	(177)	(211)
Ending number of units	848	991
Series F		
Opening units	65	31
Issued number of units	18	49
Reinvested number of units	1	—
Redeemed number of units	(12)	(15)
Ending number of units	72	65

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series O		
Opening units	884	714
Issued number of units	280	232
Reinvested number of units	5	3
Redeemed number of units	(224)	(65)
Ending number of units	945	884

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	36	100	60	100
Related-party brokerage commissions*	4	11	3	5
Commission arrangements†	2	6	6	10

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	3 423	3 444
Fair value of collateral received	3 491	3 513

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	110	100	20	100
RBC IS (paid)	(27)	(25)	(5)	(25)
Tax withheld	(4)	(3)	(3)	(15)
Fund revenue	79	72	12	60



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH U.S. DIVIDEND INCOME FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Communication Services				
52 000	AT&T Inc.	\$ 2 171	\$ 2 026	
32 900	Comcast Corp., Class A	1 487	1 529	
18 500	The Walt Disney Company	2 698	2 770	
		6 356	6 325	3.2
Consumer Discretionary				
12 100	Dollar General Corp.	1 522	1 786	
14 000	Home Depot Inc.	3 289	3 286	
13 600	Lowe's Companies	1 714	1 715	
12 628	McDonald's Corp.	1 761	3 061	
6 700	Ross Stores Inc.	755	761	
8 700	Starbucks Corp.	776	765	
19 700	Target Corporation	1 891	1 777	
28 600	TJX Companies Inc.	1 643	1 747	
		13 351	14 898	7.5
Consumer Staples				
35 780	Altria Group Inc.	2 608	2 413	
30 500	Mondelez International Inc.	1 639	1 667	
17 575	PepsiCo Inc.	2 048	2 651	
25 700	Philip Morris International Inc.	2 990	2 342	
41 000	The Coca-Cola Co.	2 447	2 650	
21 800	The Procter & Gamble Co.	2 485	2 737	
14 500	Walmart Inc.	1 660	1 844	
		15 877	16 304	8.2
Energy				
13 500	Chevron Corp.	1 656	2 005	
23 540	ConocoPhillips	1 687	2 004	
14 900	Exxon Mobil Corp.	1 596	1 388	
12 700	Marathon Petroleum Corp.	1 115	1 022	
8 520	Phillips 66 Company	1 245	1 002	
		7 299	7 421	3.7
Financials				
160 200	Bank of America Corp.	3 758	5 394	
10 100	CME Group Inc., Class A	2 123	2 594	
38 289	JPMorgan Chase & Co.	2 287	5 109	
30 000	MetLife Inc.	1 706	1 682	
12 400	PNC Bank Corp.	2 067	1 979	
11 400	Prudential Financial Inc.	1 485	1 269	
13 100	The Progressive Corp.	1 171	1 079	
16 800	Wells Fargo & Company	1 171	1 057	
		15 768	20 163	10.1
Health Care				
17 000	Abbott Laboratories	1 345	1 679	
10 000	AbbVie Inc.	1 192	1 259	
4 700	Amgen Inc.	1 137	1 250	
10 600	Anthem Inc.	3 335	3 801	
16 100	Baxter International Inc.	1 483	1 447	
3 400	Becton Dickinson & Co.	1 104	1 046	
31 200	Bristol-Myers Squibb Co.	2 106	2 213	
37 821	CVS Health Corp.	3 786	3 383	

Holdings	Security	Cost	Fair Value	% of Net Assets
Health Care (cont.)				
6 700	Eli Lilly & Co.	\$ 750	\$ 1 058	
23 388	Johnson & Johnson	2 469	4 121	
19 200	Medtronic Plc.	1 852	2 385	
40 218	Merck & Co. Inc.	2 933	4 199	
54 100	Pfizer Inc.	2 652	3 224	
14 000	UnitedHealth Group Incorporated	2 204	4 762	
		28 348	35 827	18.0
Industrials				
9 700	Boeing Co.	2 976	4 271	
4 100	Caterpillar Inc.	675	711	
11 800	CSX Corp.	1 065	1 001	
18 100	Delta Air Lines Inc.	1 407	1 233	
13 800	Eaton Corp Plc.	1 364	1 294	
11 300	Honeywell International Inc.	2 094	2 038	
12 200	Ingersoll-Rand Plc., Class A	1 629	1 519	
3 600	Lockheed Martin Corporation	1 430	1 287	
6 200	Raytheon Company	1 477	1 298	
16 800	Union Pacific Corp.	2 844	3 170	
5 600	United Technologies Corp.	965	814	
		17 926	18 636	9.4
Information Technology				
33 151	Apple Inc.	5 658	7 148	
7 000	Applied Materials Inc.	331	313	
17 300	Broadcom Inc.	5 210	6 006	
117 852	Cisco Systems Inc.	4 020	6 983	
69 800	HP Inc.	2 170	1 950	
70 372	Intel Corp.	4 111	4 512	
10 000	International Business Machines	1 640	1 551	
1 100	Lam Research Corp.	215	204	
8 500	Mastercard Inc.	2 266	2 189	
74 320	Microsoft Corp.	3 207	10 315	
42 800	Texas Instruments Inc.	4 716	5 522	
15 500	Visa Inc., Class A	2 902	2 793	
		36 446	49 486	24.9
Materials				
7 000	Air Products & Chemicals Inc.	1 488	1 530	
8 830	LyondellBasell Industries N.V.	1 095	1 003	
		2 583	2 533	1.3
Real Estate				
15 900	Crown Castle International Corp.			
	Real Estate Investment Trust	2 138	2 358	
6 700	Extra Space Storage Inc. Real Estate Investment Trust	826	828	
9 000	Simon Property Group Inc.	2 089	2 064	
		5 053	5 250	2.6

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
12 000	Ameren Corporation	\$ 1 031	\$ 1 068	
12 150	American Electric Power	1 142	1 240	
11 100	Dominion Energy Inc.	1 076	1 083	
7 700	Duke Energy Corp.	748	907	
13 700	Eversource Energy	1 092	1 216	
18 000	Exelon Corp.	954	1 108	
12 200	FirstEnergy Corporation	644	625	
9 300	NextEra Energy Inc.	1 249	2 207	
6 500	WEC Energy Group Inc.	650	614	
		8 586	10 068	5.1
TOTAL UNITED STATES EQUITIES		157 593	186 911	94.0
UNDERLYING FUNDS				
64 500	iShares Dow Jones US Real Estate Index Fund	6 518	6 599	
TOTAL UNDERLYING FUNDS		6 518	6 599	3.3
SHORT-TERM INVESTMENTS*		3 201	3 200	1.6
TOTAL INVESTMENTS		<u>\$ 167 312</u>	196 710	98.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			2 163	1.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 198 873</u>	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 2.40% and mature between January 2, 2019 and January 30, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 196 710	\$ 211 470
Cash	2 039	2 191
Subscriptions receivable	16	45
Dividends receivable, interest accrued and other assets	256	199
TOTAL ASSETS	199 021	213 905
LIABILITIES		
Redemptions payable	16	229
Accounts payable and accrued expenses	132	135
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	148	364
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 198 873	\$ 213 541
Investments at cost	\$ 167 312	\$ 161 777
NAV		
SERIES A	\$ 12 432	\$ 13 333
ADVISOR SERIES	\$ 12 405	\$ 12 497
SERIES D	\$ 86 959	\$ 88 507
SERIES F	\$ 13 660	\$ 14 036
SERIES O	\$ 73 417	\$ 85 168
NAV PER UNIT		
SERIES A	\$ 14.35	\$ 15.67
ADVISOR SERIES	\$ 14.34	\$ 15.67
SERIES D	\$ 14.21	\$ 15.55
SERIES F	\$ 14.15	\$ 15.48
SERIES O	\$ 14.21	\$ 15.55

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 5 230	\$ 5 304
Interest for distribution purposes	106	54
Income from investment trusts	315	290
Derivative income	16	(31)
Net realized gain (loss) on investments	20 109	9 198
Change in unrealized gain (loss) on investments	(20 295)	13 158
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	5 481	27 973
Securities lending revenue (see note 7 in the generic notes)	13	1
Net gain (loss) on foreign cash balances	557	(277)
TOTAL OTHER INCOME (LOSS)	570	(276)
TOTAL INCOME (LOSS)	6 051	27 697
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 277	1 195
Administration fees	195	186
Independent Review Committee costs	2	3
GST/HST	124	118
Transaction costs	239	119
Withholding tax	689	744
TOTAL EXPENSES	2 526	2 365
INCREASE (DECREASE) IN NAV	\$ 3 525	\$ 25 332
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 58	\$ 1 444
ADVISOR SERIES	\$ 58	\$ 1 302
SERIES D	\$ 1 193	\$ 9 780
SERIES F	\$ 197	\$ 1 496
SERIES O	\$ 2 019	\$ 11 310
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.07	\$ 1.58
ADVISOR SERIES	\$ 0.07	\$ 1.63
SERIES D	\$ 0.21	\$ 1.75
SERIES F	\$ 0.22	\$ 1.84
SERIES O	\$ 0.39	\$ 1.92



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 3 525	\$ 25 332
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(19 798)	(9 081)
Change in unrealized loss (gain) on investments	20 295	(13 158)
(Increase) decrease in accrued receivables	(57)	166
Increase (decrease) in accrued payables	(3)	17
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(561 877)	(353 041)
Proceeds from sale and maturity of investments	576 140	362 752
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	18 225	12 987
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	16 569	21 079
Cash paid on redemption of redeemable units	(26 901)	(31 261)
Distributions paid to holders of redeemable units	(8 045)	(2 843)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (18 377)	\$ (13 025)
Net increase (decrease) in cash for the period	(152)	(38)
Cash (bank overdraft), beginning of period	2 191	2 229
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2 039	\$ 2 191
Interest received (paid)	\$ 106	\$ 55
Dividends received, net of withholding taxes	\$ 4 558	\$ 5 015

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 13 333	\$ 13 461	\$ 12 497	\$ 11 523	\$ 88 507	\$ 78 706	\$ 14 036	\$ 10 012
INCREASE (DECREASE) IN NAV	58	1 444	58	1 302	1 193	9 780	197	1 496
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 862	1 798	2 067	2 232	7 779	9 184	2 856	5 213
Reinvestments of distributions to holders of redeemable units	968	198	1 016	195	7 771	1 970	822	236
Redemption of redeemable units	(2 696)	(3 345)	(2 141)	(2 545)	(9 850)	(8 850)	(2 842)	(2 512)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	134	(1 349)	942	(118)	5 700	2 304	836	2 937
Distributions from net income	(52)	(53)	(52)	(50)	(1 114)	(1 142)	(221)	(227)
Distributions from net gains	(1 041)	(170)	(1 040)	(160)	(7 327)	(1 141)	(1 188)	(182)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 093)	(223)	(1 092)	(210)	(8 441)	(2 283)	(1 409)	(409)
NET INCREASE (DECREASE) IN NAV	(901)	(128)	(92)	974	(1 548)	9 801	(376)	4 024
NAV AT END OF PERIOD	\$ 12 432	\$ 13 333	\$ 12 405	\$ 12 497	\$ 86 959	\$ 88 507	\$ 13 660	\$ 14 036

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 85 168	\$ 87 618	\$ 213 541	\$ 201 320
INCREASE (DECREASE) IN NAV	2 019	11 310	3 525	25 332
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	4 517	5 088	19 081	23 515
Reinvestments of distributions to holders of redeemable units	1 797	806	12 374	3 405
Redemption of redeemable units	(11 700)	(16 531)	(29 229)	(33 783)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(5 386)	(10 637)	2 226	(6 863)
Distributions from net income	(1 753)	(1 996)	(3 192)	(3 468)
Distributions from net gains	(6 631)	(1 127)	(17 227)	(2 780)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(8 384)	(3 123)	(20 419)	(6 248)
NET INCREASE (DECREASE) IN NAV	(11 751)	(2 450)	(14 668)	12 221
NAV AT END OF PERIOD	\$ 73 417	\$ 85 168	\$ 198 873	\$ 213 541

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



December 31, 2018

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Information Technology	24.9	21.0
Health Care	18.0	17.3
Financials	10.1	18.0
Industrials	9.4	9.8
Consumer Staples	8.2	9.9
Consumer Discretionary	7.5	6.6
Utilities	5.1	3.2
Energy	3.7	6.7
Underlying Funds	3.3	2.1
Communication Services	3.2	2.5
Real Estate	2.6	—
Materials	1.3	1.9
Cash/Other	2.7	1.0
Total	100.0	100.0

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018	December 31 2017
Currency		
United States dollar	100.0	100.0
Total	100.0	100.0

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P 500 Total Return Index (CAD)	+ or - 0.9	+ or - 0.9

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	186 911	—	—	186 911
Underlying funds	6 599	—	—	6 599
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	3 200	—	3 200
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	193 510	3 200	—	196 710
% of total portfolio	98.4	1.6	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	198 562	—	—	198 562
Underlying funds	12 908	—	—	12 908
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	211 470	—	—	211 470
% of total portfolio	100.0	—	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2018

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.07%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	48	44
Advisor Series	179	163
Series F	101	91
Series O	107	96
Value of all units	6	6

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Financial Select Sector				
SPDR Fund	—	—	2.0	—
iShares Dow Jones US Real				
Estate Index Fund	3.3	0.1	3.0	0.1
SPDR KBW Regional				
Banking Fund	—	—	1.0	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	851	941
Issued number of units	114	121
Reinvested number of units	68	12
Redeemed number of units	(167)	(223)
Ending number of units	866	851

Advisor Series		
Opening units	797	806
Issued number of units	129	148
Reinvested number of units	72	12
Redeemed number of units	(133)	(169)
Ending number of units	865	797

Series D		
Opening units	5 693	5 544
Issued number of units	487	618
Reinvested number of units	554	124
Redeemed number of units	(617)	(593)
Ending number of units	6 117	5 693

Series F		
Opening units	906	708
Issued number of units	179	349
Reinvested number of units	59	15
Redeemed number of units	(178)	(166)
Ending number of units	966	906

Series O		
Opening units	5 476	6 167
Issued number of units	292	342
Reinvested number of units	128	51
Redeemed number of units	(729)	(1 084)
Ending number of units	5 167	5 476

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	239	100	119	100
Related-party brokerage commissions*	24	10	5	4
Commission arrangements†	27	11	24	20

* See note 8 in the generic notes.

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

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



December 31, 2018

Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)

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

	December 31 2018	December 31 2017
Fair value of securities loaned	9 952	10 167
Fair value of collateral received	10 151	10 371

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	18	100	1	100
RBC IS (paid)	(4)	(25)	—	(25)
Tax withheld	(1)	(4)	—	(5)
Fund revenue	13	71	1	70



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

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

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Communication Services				
27 400	Activision Blizzard Inc.	\$ 1 687	\$ 1 743	
33 325	Alphabet Inc., Class A	29 192	47 581	
49 134	Alphabet Inc., Class C	53 351	69 571	
485 923	AT&T Inc.	24 802	18 933	
321	Cable One Inc.	318	359	
56 900	CBS Corp.	4 076	3 396	
485 717	CenturyTel Inc.	14 184	10 046	
20 072	Charter Communications Inc.	7 287	7 811	
280 785	Comcast Corp., Class A	13 454	13 052	
42 300	Electronic Arts Inc.	5 154	4 557	
282 859	Facebook Inc., Class A	51 260	50 708	
20 515	Gannett Co. Inc.	279	239	
140 400	Glu Mobile Inc.	1 179	1 544	
346 949	Gray Television Inc.	6 060	6 982	
12 376	Interpublic Group of Companies Inc.	351	349	
37 369	Netflix Inc.	10 136	13 655	
122 532	Nexstar Media Group Inc.	11 454	13 155	
7 000	Omnicom Group	691	700	
122 670	Sirius XM Holdings Inc.	1 042	956	
8 470	Take-Two Interactive Software Inc.	667	1 191	
9 562	Telephone & Data Systems Inc.	348	425	
109 394	The Walt Disney Company	15 372	16 378	
46 100	T-Mobile US Inc.	3 479	4 006	
19 890	TripAdvisor Inc.	1 463	1 465	
74 918	Twenty-First Century Fox Inc.	3 457	4 922	
33 172	Twitter Inc.	1 512	1 302	
1 027 040	Verizon Communications Inc.	68 346	78 827	
8 970	Viacom Inc.	348	315	
153 867	Vonage Holdings Corp.	1 824	1 831	
15 914	World Wrestling Entertainment Inc., Class A	1 728	1 623	
23 403	Zayo Group Holdings Inc.	1 078	729	
		335 579	378 351	7.5
Consumer Discretionary				
67 012	Amazon.com, Inc.	100 133	137 407	
23 963	American Eagle Outfitters	749	632	
82 268	Bed Bath & Beyond Inc.	1 890	1 271	
85 756	Best Buy Co. Inc.	7 791	6 200	
3 700	Booking Holdings Inc.	6 834	8 705	
30 030	Bright Horizons Family Solutions Inc.	3 023	4 569	
63 580	Brinker International Inc.	2 984	3 817	
28 912	Burlington Stores Inc.	5 103	6 418	
97 553	Carnival Corp.	8 247	6 568	
72 580	Carriage Services Inc.	2 195	1 536	
8 960	Cavco Industries Inc.	1 270	1 595	
918	Chipotle Mexican Grill Inc., Class A	549	541	
40 929	Choice Hotels International Inc.	4 165	4 000	
1 044	Churchill Downs Inc.	416	348	
31 770	Dana Inc.	798	591	
30 747	Darden Restaurants Inc.	3 694	4 192	
31 300	Dave & Buster's Entertainment Inc.	2 012	1 904	

Holdings	Security	Cost	Fair Value	% of Net Assets
Consumer Discretionary (cont.)				
279 746	Destination XL Group Inc.	\$ 1 228	\$ 829	
21 779	Dillards Inc.	1 524	1 793	
39 330	Dollar Tree Inc.	3 668	4 850	
13 329	Domino's Pizza Inc.	2 911	4 509	
52 958	eBay Inc.	2 439	2 030	
77 716	Foot Locker Inc.	5 001	5 644	
405 067	Ford Motor Company	5 495	4 230	
24 716	Fox Factory Holding Corp.	453	1 986	
166 982	General Motors Co.	7 931	7 625	
71 300	G-III Apparel Group Ltd.	3 684	2 715	
112 009	Grand Canyon Education Inc.	10 842	14 701	
13 793	GrubHub Inc.	2 316	1 445	
88 889	H&R Block, Inc.	2 919	3 079	
28 480	Helen Of Troy Ltd.	4 347	5 100	
60 903	Hibbett Sports Inc.	1 540	1 189	
254 978	Home Depot Inc.	43 001	59 839	
194 618	Kohl's Corp.	16 899	17 626	
167 504	Las Vegas Sands Corp.	15 349	11 903	
30 931	LCI Industries	2 240	2 821	
22 506	Lear Corp.	5 071	3 775	
53 660	Lennar Corp.	3 430	2 868	
60 440	LKQ Corp.	1 627	1 958	
53 200	Lowe's Companies	5 253	6 708	
21 417	Lululemon Athletica Inc.	3 248	3 559	
97 289	Macy's Inc.	2 921	3 955	
71 220	Malibu Boats Inc.	1 710	3 387	
35 900	Marriott International Inc., Class A	5 347	5 321	
22 377	Marriott Vacations Worldwide Corp.	3 101	2 154	
31 343	McDonald's Corp.	5 878	7 598	
11 090	MercadoLibre Inc.	1 420	4 434	
167 547	Michael Kors Holdings Ltd.	13 715	8 674	
29 060	Mohawk Industries Inc.	8 066	4 639	
219 196	Nike Inc.	19 683	22 182	
34 520	Nordstrom Inc.	2 146	2 196	
11 755	O'Reilly Automotive Inc.	3 635	5 526	
232 709	Pulte Corp.	8 651	8 257	
125 477	Ross Stores Inc.	9 606	14 252	
154 414	Signet Jewelers Ltd.	7 461	6 697	
7 952	Stamps.com Inc.	1 638	1 690	
358 911	Starbucks Corp.	29 650	31 570	
111 244	Steven Madden Ltd.	3 190	4 599	
106 310	Stoneridge Inc.	3 570	3 575	
62 483	Tailored Brands Inc.	1 992	1 164	
41 228	Tandy Leather Factory Inc.	443	322	
171 249	Target Corporation	15 193	15 451	
80 640	Taylor Morrison Home Corp.	1 877	1 752	
2 034	Tesla Inc.	922	924	
132 950	Tilly's Inc., Class A	3 108	1 971	
170 000	TJX Companies Inc.	9 244	10 383	
43 350	Tractor Supply Co.	3 826	4 938	
256 575	TRI Pointe Homes Inc.	4 360	3 829	
7 957	Ulta Salon, Cosmetics & Fragrance, Inc.	2 731	2 660	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Consumer Discretionary (cont.)				
36 498	Under Armour Inc.	\$ 57	\$ 806	
45 010	Under Armour Inc., Class A	1 964	1 100	
12 027	Unifi Inc.	483	375	
69 321	Universal Electronics Inc.	3 056	2 392	
56 855	V.F. Corporation	5 603	5 536	
15 792	Yum! Brands, Inc.	1 683	1 982	
341 511	Zagg Inc.	5 013	4 560	
		497 212	563 927	11.2
Consumer Staples				
477 128	Altria Group Inc.	37 515	32 171	
35 573	Archer Daniels Midland Co.	2 257	1 990	
22 350	Casey's General Stores Inc.	3 407	3 911	
42 370	Church & Dwight Co. Inc.	1 566	3 805	
45 983	Clorox Company	8 001	9 676	
269 350	Colgate-Palmolive Company	24 419	21 886	
93 662	Conagra Brands Inc.	4 417	2 731	
18 200	Constellation Brands Inc.	4 167	3 996	
32 000	Costco Wholesale Corp.	6 740	8 900	
104 808	Estée Lauder Companies Inc., Class A	18 516	18 615	
80 605	Flowers Foods Inc.	2 127	2 032	
38 130	Fresh Del Monte Produce Inc.	2 303	1 472	
35 762	General Mills Inc.	2 206	1 901	
117 386	Herbalife Nutrition Ltd.	7 052	9 447	
328 933	Hostess Brands Inc., Class A	5 542	4 919	
63 608	Ingredion Inc.	9 045	7 937	
31 490	John B. Sanfilippo & Son Inc.	2 450	2 393	
39 089	Kimberly-Clark Corp.	5 801	6 083	
38 567	Lanec Corp.	601	623	
21 050	McCormick & Co. Inc.	1 595	4 001	
7 735	Medifast Inc.	1 817	1 320	
22 198	Molson Coors Brewing Co., Class B	1 760	1 702	
169 888	Mondelez International Inc.	10 199	9 284	
202 729	PepsiCo Inc.	28 177	30 577	
443 397	Philip Morris International Inc.	56 660	40 412	
16 138	Pilgrim's Pride Corp.	603	342	
29 580	Post Holdings Inc.	3 479	3 599	
15 870	The Andersons Inc.	835	648	
300 675	The Coca-Cola Co.	16 880	19 436	
28 964	The Hershey Co.	4 045	4 264	
51 194	The J.M. Smucker Company	7 287	6 534	
46 377	The Kraft Heinz Co.	5 226	2 725	
679 823	The Kroger Co.	25 687	25 523	
486 654	The Procter & Gamble Co.	54 662	61 090	
31 450	Treehouse Foods Inc.	2 341	2 178	
96 902	Tyson Foods Inc.	7 671	7 067	
69 739	Walgreens Boots Alliance Inc.	6 691	6 509	
312 640	Walmart Inc.	29 607	39 758	
		413 354	411 432	8.2
Energy				
48 944	Antero Resources Corp.	1 248	627	
38 957	Baker Hughes a GE Co.	1 693	1 143	
189 277	Cabot Oil & Gas Corp.	6 195	5 775	
786 399	Callon Petroleum Co.	12 262	6 952	
185 927	Chevron Corp.	27 559	27 620	
48 948	Concho Resources Inc.	8 913	6 868	
200 845	ConocoPhillips	13 772	17 095	

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
78 525	Continental Resources Inc.	\$ 6 413	\$ 4 307	
15 450	Core Laboratories N.V.	2 294	1 257	
64 950	Delek US Holdings Inc.	2 511	2 882	
34 090	Diamondback Energy Inc.	4 952	4 317	
58 222	EOG Resources Inc.	8 348	6 932	
199 251	EP Energy Corp.	1 497	192	
406 117	Exxon Mobil Corp.	44 106	37 821	
26 357	Gulfport Energy Corp.	600	236	
39 410	HollyFrontier Corp.	3 718	2 750	
143 559	Kinder Morgan Inc.	3 505	3 014	
234 500	Magnolia Oil & Gas Corp., Class A	4 205	3 589	
346 049	Marathon Oil Corp.	8 640	6 775	
85 071	Marathon Petroleum Corp.	8 516	6 853	
47 532	Murphy Oil Corp.	1 771	1 517	
20 001	Occidental Petroleum Corp.	1 925	1 676	
141 027	Parsley Energy Inc.	4 943	3 074	
11 008	PBF Energy Inc.	676	491	
114 913	Phillips 66 Company	16 021	13 515	
15 800	Pioneer Natural Resources Co.	3 506	2 837	
23 055	Renewable Energy Group Inc.	793	809	
356 520	Ring Energy Inc.	5 676	2 473	
106 801	Schlumberger Ltd.	10 420	5 272	
143 022	Valero Energy Corp.	11 667	14 641	
70 230	Whiting Petroleum Corp.	2 869	2 175	
		231 214	195 485	3.9
Financials				
12 830	Affiliated Managers Group Inc.	2 853	1 706	
35 405	Aflac Inc.	1 677	2 202	
29 995	Allstate Corp.	2 681	3 385	
304 169	Ally Financial Inc.	8 856	9 410	
82 850	American Express Company	10 688	10 780	
18 540	American Financial Group Inc.	2 183	2 290	
404 046	American International Group Inc.	32 079	21 739	
2 570	American National Insurance Co.	400	446	
117 797	Ameriprise Financial Inc.	23 129	16 787	
87 761	Amerisafe Inc.	4 441	6 792	
16 902	Aon Plc.	2 928	3 354	
113 523	Artisan Partners Asset Management Inc., Class A	5 111	3 427	
31 866	Assured Guaranty Ltd.	1 656	1 665	
15 710	Bancfirst Corp.	547	1 070	
1 724 596	Bank of America Corp.	45 186	58 072	
164 450	Bank of New York Mellon Corp.	11 234	10 571	
173 451	Berkshire Hathaway Inc., Class B	38 920	48 405	
8 555	BlackRock Inc.	4 136	4 591	
14 896	Brighthouse Financial Inc.	915	620	
111 320	Brown & Brown Inc.	2 181	4 188	
77 259	Capital One Financial Corp.	9 057	7 970	
215 219	Chemical Financial Corp.	13 113	10 757	
47 830	Chubb Ltd.	7 833	8 437	
123 089	CIT Group Inc.	7 520	6 428	
593 265	Citigroup Inc.	44 134	42 153	
271 905	Citizens Financial Group Inc.	11 212	11 030	
14 160	CME Group Inc., Class A	1 960	3 637	
11 697	CNA Financial Corp.	677	705	
22 830	Community Bank System Inc.	1 209	1 817	
600 005	Compass Diversified Holdings	12 185	10 198	
28 471	Factset Research Systems Inc.	6 466	7 779	
20 569	Fifth Third Bancorp	827	661	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
63 040	First Busey Corp.	\$ 2 558	\$ 2 112	
137 430	FNFB Group	6 564	5 896	
50 735	Hartford Financial Services Inc.	3 268	3 078	
63 570	Heritage Financial Corp.	1 848	2 579	
28 620	James River Group Holdings Ltd.	1 460	1 428	
173 781	Janus Henderson Group Plc.	5 464	4 916	
48 840	Jefferies Financial Group Inc.	1 307	1 158	
503 105	JPMorgan Chase & Co.	56 053	67 125	
94 436	Lazard Ltd.	6 233	4 759	
112 963	LegacyTexas Financial Group Inc.	5 926	4 949	
197 787	Legg Mason Inc.	8 921	6 888	
30 519	Lincoln National Corp.	2 561	2 137	
5 747	Loews Corp.	372	357	
1 470	Markel Corp.	2 036	2 077	
42 289	Marsh & McLennan Companies Inc.	4 089	4 603	
27 150	Mercantile Bank Corp.	914	1 047	
35 628	MetLife Inc.	2 118	1 997	
250 687	Morgan Stanley	13 666	13 575	
74 465	MSCI Inc.	13 131	14 988	
176 774	National General Holdings Corp.	4 567	5 843	
118 302	Navient Corp.	2 201	1 423	
100 184	New Residential Investment Corp. Real Estate Investment Trust	2 120	1 944	
10 173	Northern Trust Corp.	1 368	1 161	
29 340	Northrim Bancorp Inc.	1 304	1 317	
135 179	Pacific Premier Bancorp Inc.	5 108	4 710	
111 080	PacWest Bancorp	7 753	5 047	
84 690	Pinnacle Financial Partners Inc.	6 990	5 330	
34 269	PNC Bank Corp.	4 664	5 468	
131 500	Popular Inc.	8 101	8 477	
33 827	Prudential Financial Inc.	4 290	3 766	
41 010	Raymond James Financial Corp.	2 617	4 166	
331 189	Regions Financial Corp.	4 430	6 050	
11 590	Reinsurance Group of America Inc.	1 857	2 219	
36 020	RLI Corp.	2 837	3 392	
138 043	S&P Global Inc.	24 346	32 026	
56 458	Signature Bank	9 482	7 924	
40 929	State Street Corp.	5 078	3 524	
91 630	Sterling Bancorp	2 109	2 065	
28 546	Suntrust Banks Inc.	1 615	1 966	
10 363	SVB Financial Group	2 252	2 687	
100 700	Synchrony Financial	3 944	3 225	
44 130	Synovus Financial Corp.	2 157	1 922	
62 469	T. Rowe Price Group Inc.	7 799	7 875	
122 240	Texas Capital Bancshares Inc.	11 648	8 526	
97 600	The Charles Schwab Corporation	4 946	5 536	
67 063	The Goldman Sachs Group Inc.	18 029	15 298	
71 900	The Progressive Corp.	5 802	5 922	
111 030	U.S. Bancorp	7 581	6 929	
146 200	United Community Banks Inc.	4 539	4 283	
4 498	Unum Group	223	180	
206 214	Voya Financial Inc.	10 821	11 300	
393 441	Wells Fargo & Company	26 475	24 759	
30 060	Wintrust Financial Corp.	2 915	2 729	
		668 451	677 730	13.5

Holdings	Security	Cost	Fair Value	% of Net Assets
Health Care				
189 633	Abbott Laboratories	\$ 13 710	\$ 18 725	
197 597	AbbVie Inc.	22 002	24 869	
20 577	Abiomed Inc.	4 644	9 135	
18 300	Alexion Pharmaceuticals Inc.	2 917	2 434	
14 571	Align Technology Inc.	3 913	4 170	
1 619	Amedisys Inc.	246	259	
44 292	AmerisourceBergen Corp.	5 103	4 499	
81 736	Amgen Inc.	19 505	21 735	
32 452	Anthem Inc.	7 691	11 635	
31 137	Becton Dickinson & Co.	9 078	9 576	
71 095	Biogen Inc.	26 714	29 207	
15 630	Bio-Techne Corp.	3 872	3 088	
247 964	Boston Scientific Corp.	8 951	11 963	
394 479	Bristol-Myers Squibb Co.	29 717	27 985	
245 075	Cardinal Health Inc.	16 835	14 922	
62 800	Celgene Corp.	8 376	5 501	
69 284	Centene Corp.	8 356	10 909	
604	Chemed Corp.	248	233	
28 788	Cigna Corp.	7 201	7 468	
13 610	Cooper Co. Inc.	2 761	4 729	
29 778	Corcept Therapeutics Inc.	551	543	
79 088	CVS Health Corp.	7 892	7 074	
78 352	Danaher Corp.	9 349	11 030	
30 130	DaVita Inc.	2 713	2 117	
44 300	Elanco Animal Health Inc.	1 372	1 905	
219 288	Eli Lilly & Co.	26 399	34 643	
99 580	Emergent Biosolutions Inc.	5 042	8 059	
96 909	Exelixis Inc.	3 157	2 602	
67 800	Gilead Sciences Inc.	6 878	5 794	
161 183	Globus Medical Inc., Class A	6 149	9 524	
132 697	HCA Healthcare Inc.	22 922	22 545	
44 830	HealthEquity Inc.	2 519	3 651	
36 630	Henry Schein Inc.	2 097	3 931	
41 941	Humana Inc.	17 173	16 411	
1 478	ICU Medical Inc.	572	463	
35 128	IDEXX Laboratories Inc.	7 849	8 921	
10 900	Illumina Inc.	4 090	4 467	
2 272	Incyte Corporation Ltd.	201	197	
83 420	Innoviva Inc.	1 559	1 987	
9 839	Intuitive Surgical Inc.	4 604	6 436	
57 187	Jazz Pharmaceuticals Plc.	10 451	9 678	
292 466	Johnson & Johnson	45 173	51 532	
56 500	Laboratory Corp. of America Holdings	10 781	9 748	
31 093	Masimo Corp.	3 407	4 558	
78 784	McKesson Corp.	14 290	11 882	
283 768	Medtronic Plc.	32 188	35 244	
610 116	Merck & Co. Inc.	53 214	63 694	
5 010	Mettler-Toledo International Inc.	2 906	3 866	
37 600	Moderna Inc.	1 150	784	
24 790	Molina Healthcare Inc.	2 189	3 932	
61 112	Mylan N.V.	2 962	2 288	
38 120	Perrigo Company Plc.	3 981	2 017	
867 649	Pfizer Inc.	40 541	51 704	
27 190	STERIS Plc.	2 662	3 966	
19 200	Stryker Corp.	4 250	4 109	
5 810	Teleflex Inc.	1 457	2 049	
53 650	Tenet Healthcare Corp.	2 477	1 255	
55 939	Thermo Fisher Scientific Inc.	11 490	17 087	

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



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Holdings	Security	Cost	Fair Value	% of Net Assets
Health Care (cont.)				
19 531	United Therapeutics Corp.	\$ 3 382	\$ 2 904	
91 984	UnitedHealth Group Incorporated	22 387	31 291	
20 168	Universal Health Services Inc., Class B	3 265	3 209	
54 631	Varian Medical Systems Inc.	6 764	8 451	
25 097	Veeva Systems Inc.	1 972	3 061	
30 301	Vertex Pharmaceuticals Inc.	6 261	6 855	
23 621	Waters Corp.	4 956	6 083	
13 182	WellCare Health Plans Inc.	3 896	4 249	
65 002	West Pharmaceutical Services Inc.	5 527	8 697	
192 283	Zoetis Inc.	21 308	22 455	
		660 215	751 990	15.0
Industrials				
38 400	3M Co.	10 708	9 987	
620 150	ACCO Brands Corp.	7 304	5 740	
17 800	Acuity Brands Inc.	4 646	2 793	
48 826	ADT Inc.	480	401	
32 689	Allison Transmission Holdings Inc.	1 810	1 960	
37 147	Ametek Inc.	1 986	3 433	
279 680	Arcosa Inc.	9 896	10 573	
6 305	ASGN Inc.	684	469	
105 072	Astronics Corp.	4 172	4 368	
18 520	AZZ Inc.	629	1 020	
57 760	BMC Stock Holdings Inc.	1 708	1 221	
142 001	Boeing Co.	32 156	62 520	
43 157	C.H. Robinson Worldwide Inc.	5 294	4 954	
46 815	Carlisle Cos. Inc.	6 517	6 424	
60 150	Casella Waste Systems Inc., Class A	978	2 340	
73 693	Caterpillar Inc.	12 757	12 781	
32 540	Clean Harbors Inc.	1 922	2 192	
281 926	Columbus McKinnon Corp.	8 294	11 600	
53 990	Copart Inc.	1 175	3 522	
139 627	CSX Corp.	10 193	11 843	
27 928	Cummins Engine Inc.	5 343	5 096	
68 682	Delta Air Lines Inc.	4 819	4 679	
139 760	Ducommun Inc.	4 743	6 938	
54 940	Dycom Industries Inc.	7 359	4 053	
88 504	Eaton Corp Plc.	7 926	8 296	
59 360	Emerson Electric Co.	5 001	4 844	
59 850	EnerSys	4 401	6 341	
25 910	Ennis Inc.	626	681	
125 235	Expeditors International of Washington, Inc.	11 777	11 646	
23 100	FedEx Corporation	5 743	5 085	
14 313	FTI Consulting Inc.	1 406	1 302	
171 981	Gardner Denver Holdings Inc.	5 675	4 801	
12 800	General Dynamics Corp.	2 925	2 747	
1 269 264	General Electric Company	20 473	13 117	
71 152	Graco Inc.	3 930	4 065	
16 905	Grainger (W.W.) Inc.	6 217	6 517	
73 797	HD Supply Holdings Inc.	3 743	3 780	
53 642	Honeywell International Inc.	8 951	9 675	
60 125	IHS Markit Ltd.	2 639	3 941	
18 700	Illinois Tool Works Inc.	2 795	3 234	
26 216	Inspire Inc.	3 337	3 342	
73 267	Insteel Industries Inc.	1 668	2 429	

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials (cont.)				
20 430	J.B. Hunt Transport Services Inc.	\$ 1 810	\$ 2 595	
158 725	Johnson Controls International Plc.	7 908	6 425	
60 850	Kansas City Southern Industries Inc.	9 060	7 931	
248 910	Kennametal Inc.	11 991	11 309	
12 270	Kirby Corp.	1 232	1 128	
41 986	Landstar System Inc.	4 292	5 486	
15 705	Lennox International Inc.	4 053	4 690	
21 000	Lockheed Martin Corporation	7 647	7 507	
64 379	Lydall Inc.	3 289	1 784	
72 906	Marten Transport Ltd.	1 580	1 611	
14 620	Middleby Corp.	1 757	2 050	
21 710	Miller (Herman) Inc.	884	897	
59 190	Moog Inc., Class A	6 291	6 254	
27 510	MSC Industrial Direct Co.	2 619	2 889	
211 269	NN Inc.	5 922	1 935	
820	Norfolk Southern Corp.	184	167	
14 500	Northrop Grumman Corp.	3 962	4 847	
54 322	Old Dominion Freight Line Inc.	9 724	9 158	
69 841	Oshkosh Truck Corp.	7 058	5 846	
120 070	Owens Corning	9 989	7 209	
226 984	Patrick Industries Inc.	11 794	9 176	
174 243	Pentair Plc.	10 240	8 987	
55 440	PGT Innovations Inc.	1 522	1 200	
17 552	Raytheon Company	3 739	3 675	
113 126	Republic Services Inc.	9 327	11 136	
106 480	Robert Half International Inc.	8 336	8 318	
1 900	Rockwell Automation Inc.	388	390	
123 411	Rollins Inc.	4 993	6 079	
12 520	Roper Technologies Inc.	2 140	4 553	
101 888	Southwest Airlines	6 767	6 467	
38 770	Spirit Airlines Inc.	2 407	3 065	
12 260	Teledyne Technologies Inc.	2 829	3 463	
145 462	The Greenbrier Co. Inc.	7 406	7 844	
14 650	Trex Co. Inc.	1 019	1 187	
211 830	Trinity Industries	9 307	5 954	
86 049	Union Pacific Corp.	14 404	16 238	
230 129	United Continental Holdings Inc.	25 501	26 306	
29 500	United Parcel Service Inc.	4 024	3 928	
25 451	United Technologies Corp.	3 929	3 699	
23 480	Verisk Analytics Inc.	1 805	3 495	
21 490	WABCO Holdings Inc.	3 715	3 148	
31 580	Wabtec Corp.	3 482	3 028	
45 300	Waste Connections Inc.	2 191	4 592	
73 562	Waste Management Inc.	7 245	8 937	
42 450	Woodward Inc.	2 820	4 305	
8 227	XPO Logistics Inc.	932	641	
		498 320	528 279	10.5
Information Technology				
207 672	Accenture Plc., Class A	31 510	39 978	
55 933	Adobe Inc.	11 428	17 286	
6 387	Advanced Micro Devices Inc.	243	161	
33 610	Akamai Technologies Inc.	2 921	2 804	
9 200	Alliance Data Systems Corp.	3 145	1 885	
19 330	Ambarella Inc.	1 503	923	
87 305	Amdocs Ltd.	7 434	6 982	
19 050	Ansys Inc.	1 656	3 717	

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Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology (cont.)				
652 246	Apple Inc.	\$ 107 091	\$ 140 633	
77 100	Applied Materials Inc.	2 994	3 449	
11 900	Arista Networks Inc.	2 627	3 423	
79 219	Aspen Technology Inc.	8 271	8 888	
34 495	Autodesk Inc.	2 412	6 063	
128 633	Automatic Data Processing Inc.	23 910	23 036	
114 760	AXT Inc.	1 013	682	
37 422	Broadcom Inc.	9 367	12 991	
39 191	Broadridge Financial Solutions Inc.	6 224	5 152	
237 790	Cadence Design Systems Inc.	13 021	14 115	
38 620	CDW Corp.	3 300	4 273	
17 514	Ceridian HCM Holding Inc.	496	823	
6 165	Cirrus Logic Inc.	300	279	
810 417	Cisco Systems Inc.	32 950	48 022	
126 878	Citrix Systems Inc.	18 093	17 747	
10 420	Coherent Inc.	2 812	1 504	
127 710	Cohu Inc.	3 982	2 802	
53 768	Conduent Inc.	1 487	780	
304 041	Cypress Semiconductor Corp.	5 433	5 280	
45 780	Euronet Worldwide Inc.	4 659	6 399	
45 483	F5 Networks Inc.	8 943	10 061	
276 276	Fortinet Inc.	24 368	26 564	
22 750	Global Payments Inc.	2 443	3 203	
20 430	GTT Communications Inc.	1 100	660	
123 216	Hewlett Packard Enterprise Co.	2 884	2 222	
118 403	HP Inc.	2 713	3 307	
96 591	Integrated Device Technology Inc.	3 397	6 386	
471 563	Intel Corp.	23 393	30 235	
48 074	InterDigital Inc.	3 533	4 360	
43 492	International Business Machines	8 550	6 746	
167 321	Intuit Inc.	31 061	44 966	
11 752	IPG Photonics Corp.	994	1 818	
8 591	Jabil Inc.	272	291	
26 313	Jack Henry & Associates Inc.	4 843	4 547	
183 306	Juniper Networks Inc.	6 530	6 734	
43 916	KLA-Tencor Corp.	5 799	5 372	
25 506	Lam Research Corp.	5 751	4 742	
6 810	Manhattan Associates Inc.	451	394	
219 339	Mastercard Inc.	37 287	56 490	
12 464	Micro Focus International Plc. ADR	592	293	
432 677	Micron Technology Inc.	24 460	18 743	
1 244 309	Microsoft Corp.	102 738	172 701	
38 890	MKS Instruments Inc.	3 208	3 434	
54 880	Model N Inc.	1 301	991	
7 239	Motorola Solutions Inc.	1 184	1 137	
31 137	NetApp Inc.	3 328	2 538	
33 040	Novanta Inc.	956	2 842	
107 383	Nvidia Corp.	27 866	19 571	
41 328	NXP Semiconductor N.V.	4 428	4 135	
336 540	Oracle Corporation	20 225	20 744	
5 951	Palo Alto Networks Inc.	1 071	1 530	
285 431	Paychex Inc.	23 234	25 403	
11 686	Paycom Software Inc.	1 952	1 956	
189 452	PayPal Holdings Inc.	18 822	21 766	
75 460	PC Connection Inc.	2 785	3 063	
1 144	Proofpoint Inc.	139	131	
7 162	PTC Inc.	781	811	

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology (cont.)				
107 073	QUALCOMM Inc.	\$ 7 432	\$ 8 319	
44 360	RealPage Inc.	3 629	2 918	
92 665	Red Hat Inc.	15 092	22 206	
63 000	Salesforce.com Inc.	6 487	11 780	
84 926	Sapiens International Corp. N.V.	1 224	1 279	
162 316	Seagate Technology	11 140	8 559	
12 240	ServiceNow Inc.	2 737	2 973	
25 557	SolarEdge Technologies Inc.	1 763	1 225	
8 070	Synaptics Inc.	608	410	
110 707	Synchronoss Technologies Inc.	4 085	928	
50 616	SynOpsys Inc.	4 323	5 826	
40 759	Tessco Technologies Inc.	878	668	
144 801	Texas Instruments Inc.	17 994	18 681	
26 098	The Western Union Co.	698	608	
1 336	Twilio Inc., Class A	162	163	
19 698	Tyler Technologies Inc.	3 209	4 993	
47 910	Verisign Inc.	5 506	9 703	
60 690	Viavi Solutions Inc.	943	833	
142 800	Visa Inc., Class A	15 649	25 731	
29 473	Vishay Precision Group Inc.	940	1 216	
250 154	Western Digital Corp.	24 262	12 631	
25 190	WEX Inc.	3 911	4 817	
49 549	Zebra Technologies Corp.	6 203	10 771	
		862 539	1 058 202	21.1
Materials				
16 798	Air Products & Chemicals Inc.	3 343	3 671	
84 917	Alcoa Corp.	5 132	3 080	
35 240	Aptargroup Inc.	2 700	4 524	
2 320	Celanese Corp.	334	285	
8 807	Domtar Corp.	518	422	
197 588	DowDuPont Inc.	16 741	14 426	
62 150	Eagle Materials Inc.	5 993	5 177	
23 900	Ecolab Inc.	3 881	4 808	
87 460	Ferro Corp.	1 670	1 872	
160 445	Freeport-McMoRan Inc.	3 452	2 258	
53 830	Fuller (H.B.) Co.	3 532	3 136	
43 595	FutureFuel Corp.	630	944	
334 803	Huntsman Corp.	13 057	8 817	
5 727	International Paper Co.	320	316	
21 960	Kaiser Aluminum Corp.	2 658	2 678	
87 178	Koppers Holdings Inc.	2 806	2 028	
119 364	Louisiana-Pacific Corp.	4 105	3 621	
214 900	LyondellBasell Industries N.V.	28 505	24 402	
56 291	Newmont Mining Corporation	2 631	2 663	
19 641	Nucor Corp.	1 467	1 389	
499 108	Omnova Solutions Inc.	4 928	4 995	
15 156	PPG Industries Inc.	2 121	2 115	
25 110	Reliance Steel & Aluminum Co.	2 408	2 440	
10 400	Sherwin-Williams Co.	3 755	5 585	
215 423	Steel Dynamics Inc.	9 618	8 835	
52 564	The Chemours Co.	2 791	2 025	
207 757	The Mosaic Co.	8 934	8 285	
103 662	Universal Stainless & Alloy	3 113	2 294	
10 698	Westlake Chemical Corporation	1 405	966	
49 299	WestRock Co.	3 279	2 541	
		145 827	130 598	2.6

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Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate				
18 610	Alexandria Real Estate Equities Inc.	\$ 2 686	\$ 2 928	
22 500	American Tower Corp. Real Estate Investment Trust	3 739	4 860	
47 770	Apartment Investment & Management Co.	2 697	2 862	
100 273	Apple Hospitality Inc. Real Estate Investment Trust	2 390	1 952	
14 360	Boston Properties Inc.	2 260	2 206	
162 026	Brixmor Property Group Inc. Real Estate Investment Trust	3 697	3 249	
243 130	CBL & Associates Properties Inc.	3 568	637	
97 150	Columbia Property Trust Inc. Real Estate Investment Trust	2 798	2 566	
61 510	Community Healthcare Trust Inc. Real Estate Investment Trust	2 031	2 421	
38 800	Crown Castle International Corp. Real Estate Investment Trust	4 886	5 755	
41 360	CubeSmart Real Estate Investment Trust	1 565	1 620	
494 050	DiamondRock Hospitality Co. Real Estate Investment Trust	7 135	6 124	
31 748	Digital Realty Trust Inc.	4 895	4 618	
11 690	EastGroup Properties Inc. Real Estate Investment Trust	1 177	1 464	
9 650	Equinix Inc. Real Estate Investment Trust	5 439	4 646	
32 375	Extra Space Storage Inc. Real Estate Investment Trust	3 450	3 999	
110 701	First Industrial Realty Trust Inc. Real Estate Investment Trust	4 267	4 362	
75 436	Gaming and Leisure Properties Inc. Real Estate Investment Trust	3 274	3 327	
179 181	Healthcare Trust of America Inc. Real Estate Investment Trust	7 219	6 191	
35 680	Highwoods Properties Inc.	2 335	1 885	
209 665	Hospitality Properties Trust	7 757	6 835	
8 636	Host Marriott Corp.	198	197	
66 958	Medical Properties Trust Inc. Real Estate Investment Trust	1 483	1 470	
38 190	National Storage Affiliates Trust Real Estate Investment Trust	1 234	1 380	
13 424	Omega Healthcare Investors Inc. Real Estate Investment Trust	645	644	
198 308	Park Hotels & Resorts Inc. Real Estate Investment Trust	7 724	7 028	
103 870	Physicians Realty Trust Real Estate Investment Trust	2 569	2 273	

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate (cont.)				
63 467	Piedmont Office Realty Trust Inc., Class A Real Estate Investment Trust	\$ 1 650	\$ 1 476	
38 946	ProLogis Inc. Trust	3 269	3 123	
103 087	Senior Housing Properties Trust Real Estate Investment Trust	2 324	1 649	
4 230	Simon Property Group Inc.	1 005	970	
33 151	SL Green Realty Corp. Real Estate Investment Trust	4 110	3 580	
89 106	Spirit Realty Capital Inc. Real Estate Investment Trust	5 098	4 288	
24 140	STAG Industrial Inc. Real Estate Investment Trust	714	820	
16 860	Terreno Realty Corp. Real Estate Investment Trust	610	809	
102 210	UMH Properties Inc. Real Estate Investment Trust	1 961	1 654	
13 089	Ventas Inc. Real Estate Investment Trust	942	1 047	
547 643	VEREIT Inc. Real Estate Investment Trust	5 928	5 346	
164 350	VICI Properties Inc. Real Estate Investment Trust	4 600	4 214	
61 835	Washington Prime Group Inc. Real Estate Investment Trust	665	410	
11 746	Welltower Inc. Real Estate Investment Trust	968	1 113	
111 550	Weyerhaeuser Company Ltd.	4 564	3 327	
		131 526	121 325	2.4

Utilities				
102 282	AES Corp.	1 516	2 019	
26 557	Ameren Corporation	1 930	2 364	
17 045	Avangrid Inc.	1 110	1 165	
257 896	Centerpoint Energy Inc.	9 299	9 939	
108 395	CMS Energy Corp.	6 295	7 345	
94 363	Consolidated Edison Inc.	9 338	9 847	
47 236	Dominion Energy Inc.	4 760	4 610	
41 853	DTE Energy Company	5 274	6 302	
49 857	Duke Energy Corp.	5 152	5 874	
29 494	Edison International	2 309	2 285	
26 788	Entergy Corp.	2 942	3 147	
59 420	Evergy Inc.	4 131	4 605	
241 743	Exelon Corp.	14 337	14 884	
35 159	NextEra Energy Inc.	5 675	8 344	
11 740	NorthWestern Corp.	807	953	
216 477	NRG Energy Inc.	8 668	11 703	
67 640	Portland General Electric Co.	3 525	4 234	
40 217	Public Service Enterprise Group	2 799	2 858	
129 361	Southern Co.	7 780	7 756	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities (cont.)				
20 910	Southwest Gas Holdings Inc.	\$ 2 161	\$ 2 184	
111 600	Spire Inc.	9 182	11 287	
248 140	Vistra Energy Corp.	6 524	7 754	
27 408	Xcel Energy Inc.	1 570	1 844	
		117 084	133 303	2.7
TOTAL UNITED STATES EQUITIES		4 561 321	4 950 622	98.6
UNDERLYING FUNDS				
16 600	iShares Russell 2000 Fund	3 069	3 040	
TOTAL UNDERLYING FUNDS		3 069	3 040	0.1
SHORT-TERM INVESTMENTS*		48 753	49 488	1.0
TOTAL INVESTMENTS		\$4 613 143	5 003 150	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			15 304	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$5 018 454	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 2.36% to 2.59% and mature between January 2, 2019 and January 22, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 5 003 150	\$ 5 319 304
Cash	10 597	14 120
Due from investment dealers	1 111	3 860
Subscriptions receivable	38	206
Dividends receivable, interest accrued and other assets	5 254	4 730
TOTAL ASSETS	5 020 150	5 342 220
LIABILITIES		
Due to investment dealers	1 332	4 932
Redemptions payable	81	48
Accounts payable and accrued expenses	283	293
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 696	5 273
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 5 018 454	\$ 5 336 947
Investments at cost	\$ 4 613 143	\$ 4 550 255
NAV		
SERIES A	\$ 3 349	\$ 3 479
ADVISOR SERIES	\$ 912	\$ 760
SERIES D	\$ 34 661	\$ 36 102
SERIES F	\$ 7 071	\$ 3 877
SERIES O	\$ 4 972 461	\$ 5 292 729
NAV PER UNIT		
SERIES A	\$ 15.71	\$ 17.07
ADVISOR SERIES	\$ 15.73	\$ 17.10
SERIES D	\$ 16.41	\$ 17.85
SERIES F	\$ 16.31	\$ 17.84
SERIES O	\$ 16.05	\$ 17.46

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 103 363	\$ 91 220
Interest for distribution purposes	922	423
Income from investment trusts	3 680	6 335
Derivative income	(1 095)	472
Net realized gain (loss) on investments	401 067	406 724
Change in unrealized gain (loss) on investments	(379 042)	158 679
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	128 895	663 853
Securities lending revenue (see note 7 in the generic notes)	460	498
Net gain (loss) on foreign cash balances	1 303	(501)
TOTAL OTHER INCOME (LOSS)	1 763	(3)
TOTAL INCOME (LOSS)	130 658	663 850
EXPENSES (see notes – Fund Specific Information)		
Management fees	438	365
Administration fees	2 775	2 526
Independent Review Committee costs	2	3
GST/HST	393	283
Transaction costs	1 442	2 787
Withholding tax	14 625	13 485
TOTAL EXPENSES	19 675	19 449
INCREASE (DECREASE) IN NAV	\$ 110 983	\$ 644 401
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (2)	\$ 338
ADVISOR SERIES	\$ (9)	\$ 79
SERIES D	\$ 139	\$ 3 969
SERIES F	\$ (139)	\$ 269
SERIES O	\$ 110 994	\$ 639 746
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (0.01)	\$ 1.82
ADVISOR SERIES	\$ (0.17)	\$ 1.71
SERIES D	\$ 0.07	\$ 2.12
SERIES F	\$ (0.37)	\$ 2.20
SERIES O	\$ 0.38	\$ 2.28



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 110 983	\$ 644 401
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(399 584)	(403 589)
Change in unrealized loss (gain) on investments	379 042	(158 679)
(Increase) decrease in accrued receivables	(524)	801
Increase (decrease) in accrued payables	(10)	43
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(4 495 228)	(6 545 502)
Proceeds from sale and maturity of investments	4 831 073	6 463 547
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	425 752	1 022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	188 917	253 970
Cash paid on redemption of redeemable units	(617 550)	(260 102)
Distributions paid to holders of redeemable units	(642)	(212)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (429 275)	\$ (6 344)
Net increase (decrease) in cash for the period	(3 523)	(5 322)
Cash (bank overdraft), beginning of period	14 120	19 442
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 10 597	\$ 14 120
Interest received (paid)	\$ 884	\$ 410
Dividends received, net of withholding taxes	\$ 88 260	\$ 84 884

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 3 479	\$ 2 427	\$ 760	\$ 858	\$ 36 102	\$ 31 493	\$ 3 877	\$ 641
INCREASE (DECREASE) IN NAV	(2)	338	(9)	79	139	3 969	(139)	269
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	608	1 060	417	98	6 449	5 800	6 657	3 400
Reinvestments of distributions to holders of redeemable units	245	248	66	48	2 815	2 743	382	285
Redemption of redeemable units	(732)	(345)	(254)	(268)	(7 960)	(5 112)	(3 037)	(421)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	121	963	229	(122)	1 304	3 431	4 002	3 264
Distributions from net income	—	—	—	—	(292)	(229)	(75)	(33)
Distributions from net gains	(249)	(249)	(68)	(55)	(2 592)	(2 562)	(594)	(264)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(249)	(249)	(68)	(55)	(2 884)	(2 791)	(669)	(297)
NET INCREASE (DECREASE) IN NAV	(130)	1 052	152	(98)	(1 441)	4 609	3 194	3 236
NAV AT END OF PERIOD	\$ 3 349	\$ 3 479	\$ 912	\$ 760	\$ 34 661	\$ 36 102	\$ 7 071	\$ 3 877

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 5 292 729	\$ 4 663 326	\$ 5 336 947	\$ 4 698 745
INCREASE (DECREASE) IN NAV	110 994	639 746	110 983	644 401
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	175 419	243 461	189 550	253 819
Reinvestments of distributions to holders of redeemable units	453 744	460 079	457 252	463 403
Redemption of redeemable units	(606 401)	(253 660)	(618 384)	(259 806)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	22 762	449 880	28 418	457 416
Distributions from net income	(87 150)	(83 277)	(87 517)	(83 539)
Distributions from net gains	(366 874)	(376 946)	(370 377)	(380 076)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(454 024)	(460 223)	(457 894)	(463 615)
NET INCREASE (DECREASE) IN NAV	(320 268)	629 403	(318 493)	638 202
NAV AT END OF PERIOD	\$ 4 972 461	\$ 5 292 729	\$ 5 018 454	\$ 5 336 947

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing in shares of high-quality U.S. companies.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Information Technology	21.1	25.6
Health Care	15.0	13.5
Financials	13.5	14.8
Consumer Discretionary	11.2	12.5
Industrials	10.5	11.5
Consumer Staples	8.2	8.2
Communication Services	7.5	1.3
Energy	3.9	4.6
Utilities	2.7	2.2
Materials	2.6	2.5
Real Estate	2.4	2.7
Underlying Funds	0.1	—
Cash/Other	1.3	0.6
Total	100.0	100.0

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018	December 31 2017
Currency		
United States dollar	100.0	100.0
Total	100.0	100.0

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
Russell 3000 Total Return Index (CAD)	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	4 950 622	—	—	4 950 622
Underlying funds	3 040	—	—	3 040
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	49 488	—	49 488
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	4 953 662	49 488	—	5 003 150
% of total portfolio	99.0	1.0	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	5 298 132	—	—	5 298 132
Underlying funds	3 181	—	—	3 181
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	17 991	—	17 991
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	5 301 313	17 991	—	5 319 304
% of total portfolio	99.7	0.3	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2018

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	54	50
Advisor Series	166	153
Series D	161	147
Series F	165	150
Series O	179	163
Value of all units	12	12

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
iShares Russell 2000 Fund	0.1	–	0.1	–

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	204	147
Issued number of units	33	63
Reinvested number of units	16	14
Redeemed number of units	(40)	(20)
Ending number of units	213	204
Advisor Series		
Opening units	44	52
Issued number of units	23	5
Reinvested number of units	4	3
Redeemed number of units	(13)	(16)
Ending number of units	58	44

Series D		
Opening units	2 022	1 834
Issued number of units	341	323
Reinvested number of units	174	150
Redeemed number of units	(425)	(285)
Ending number of units	2 112	2 022

Series F		
Opening units	217	37
Issued number of units	356	187
Reinvested number of units	24	16
Redeemed number of units	(163)	(23)
Ending number of units	434	217

Series O		
Opening units	303 211	277 653
Issued number of units	9 613	13 985
Reinvested number of units	28 689	25 739
Redeemed number of units	(31 654)	(14 166)
Ending number of units	309 859	303 211

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	1 442	100	2 787	100
Related-party brokerage commissions*	–	–	68	2
Commission arrangements†	618	43	639	23

* See note 8 in the generic notes.

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



December 31, 2018

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	420 513	569 136
Fair value of collateral received	428 924	580 518

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	681	100	756	100
RBC IS (paid)	(168)	(25)	(204)	(27)
Tax withheld	(53)	(8)	(54)	(7)
Fund revenue	460	67	498	66

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North U.S. Multi-Style		
All-Cap Equity Class	0.7	0.7
RBC Managed Payout Solution	1.7	2.5
RBC Managed Payout Solution – Enhanced	2.5	3.0
RBC Managed Payout Solution – Enhanced Plus	2.8	3.3
RBC Retirement 2020 Portfolio	–	–
RBC Retirement 2025 Portfolio	–	–
RBC Retirement 2030 Portfolio	0.1	–
RBC Retirement 2035 Portfolio	–	–
RBC Retirement 2040 Portfolio	–	–
RBC Retirement 2045 Portfolio	–	–
RBC Retirement 2050 Portfolio	–	–
RBC Select Aggressive Growth Portfolio	3.6	3.4
RBC Select Balanced Portfolio	34.1	31.6
RBC Select Choices Aggressive Growth Portfolio	0.3	0.3
RBC Select Choices Balanced Portfolio	0.2	0.2
RBC Select Choices Conservative Portfolio	0.1	0.1
RBC Select Choices Growth Portfolio	0.4	0.5
RBC Select Conservative Portfolio	26.5	26.6
RBC Select Growth Portfolio	11.8	11.4

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

	December 31 2018	December 31 2017
RBC Select Very Conservative Portfolio	12.4	14.0
RBC Target 2020 Education Fund	0.1	0.2
RBC Target 2025 Education Fund	0.7	0.7
RBC Target 2030 Education Fund	0.6	0.5
RBC Target 2035 Education Fund	0.1	–
Total	98.7	99.0



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH U.S. EQUITY FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Communication Services				
13 193	Activision Blizzard Inc.	\$ 1 219	\$ 839	
14 833	Alphabet Inc., Class C	11 574	21 003	
11 034	Charter Communications Inc.	4 599	4 294	
59 729	Comcast Corp., Class A	2 900	2 777	
18 055	Electronic Arts Inc.	2 814	1 945	
60 294	Facebook Inc., Class A	9 822	10 809	
44 692	The Walt Disney Company	6 511	6 691	
112 112	Verizon Communications Inc.	7 767	8 605	
		47 206	56 963	9.5
Consumer Discretionary				
8 757	Amazon.com, Inc.	7 522	17 956	
2 351	Autozone Inc.	2 392	2 691	
16 954	Dollar General Corp.	2 374	2 502	
19 347	Dollar Tree Inc.	2 030	2 386	
24 451	Home Depot Inc.	4 846	5 738	
12 872	Mohawk Industries Inc.	3 496	2 055	
27 234	Nike Inc.	2 341	2 756	
21 125	PVH Corp.	3 004	2 681	
40 519	Ross Stores Inc.	3 973	4 602	
15 023	Royal Caribbean Cruises Ltd.	2 340	2 005	
57 446	Tapestry Inc.	3 454	2 647	
6 117	Ulta Salon, Cosmetics & Fragrance, Inc.	2 066	2 045	
		39 838	50 064	8.4
Consumer Staples				
19 364	Colgate-Palmolive Company	1 950	1 573	
7 006	Costco Wholesale Corp.	1 461	1 949	
17 697	Coty Inc.	414	158	
13 606	Estée Lauder Companies Inc., Class A	2 557	2 417	
29 648	Kimberly-Clark Corp.	4 548	4 614	
87 456	Mondelez International Inc.	5 180	4 779	
98	Monster Beverage Corp.	8	7	
29 436	PepsiCo Inc.	2 397	4 440	
32 084	Philip Morris International Inc.	4 361	2 924	
80 721	The Coca-Cola Co.	4 740	5 218	
12 070	The Kraft Heinz Co.	1 368	709	
31 386	The Kroger Co.	1 177	1 178	
53 815	The Procter & Gamble Co.	6 152	6 755	
20 362	Tyson Foods Inc.	1 709	1 485	
13 818	Walgreens Boots Alliance Inc.	1 526	1 290	
42 613	Walmart Inc.	4 477	5 419	
		44 025	44 915	7.5
Energy				
22 359	Chevron Corp.	3 268	3 322	
67 705	ConocoPhillips	4 812	5 763	
32 182	EOG Resources Inc.	4 230	3 831	
122 858	Exxon Mobil Corp.	13 351	11 440	
67 705	Halliburton Co.	4 076	2 454	

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
72 400	Kinder Morgan Inc.	\$ 1 693	\$ 1 519	
123 856	Marathon Oil Corp.	3 301	2 424	
2 742	Pioneer Natural Resources Co.	561	492	
		35 292	31 245	5.2
Financials				
8 821	American Express Company	1 299	1 148	
28 607	American International Group Inc.	2 212	1 539	
12 022	Aon Plc.	2 179	2 386	
337 953	Bank of America Corp.	8 291	11 380	
40 832	Berkshire Hathaway Inc., Class B	9 021	11 395	
6 155	BlackRock Inc.	3 381	3 303	
18 639	Capital One Financial Corp.	2 140	1 923	
19 061	Chubb Ltd.	3 170	3 362	
37 149	Citigroup Inc.	2 670	2 640	
6 871	CME Group Inc., Class A	1 109	1 765	
18 455	Comerica Inc.	2 335	1 730	
10 001	Discover Financial Services	786	805	
47 374	E*TRADE Financial Corp.	3 449	2 839	
95 997	JPMorgan Chase & Co.	11 241	12 808	
23 597	MetLife Inc.	1 538	1 323	
83 666	Morgan Stanley	5 043	4 531	
8 899	PNC Bank Corp.	1 482	1 420	
19 647	State Street Corp.	2 365	1 692	
36 333	Suntrust Banks Inc.	2 225	2 503	
24 549	The Charles Schwab Corporation	1 416	1 392	
12 691	The Progressive Corp.	703	1 045	
22 823	U.S. Bancorp	1 556	1 424	
119 899	Wells Fargo & Company	8 477	7 545	
		78 088	81 898	13.7
Health Care				
84 592	Abbott Laboratories	4 758	8 353	
18 390	Anthem Inc.	3 864	6 594	
15 902	Becton Dickinson & Co.	4 676	4 891	
65 133	Boston Scientific Corp.	2 984	3 142	
42 787	Bristol-Myers Squibb Co.	3 567	3 035	
5 874	Cooper Co. Inc.	1 980	2 041	
36 626	CVS Health Corp.	3 922	3 276	
36 777	Danaher Corp.	4 071	5 177	
47 813	Eli Lilly & Co.	4 923	7 554	
65 895	Johnson & Johnson	7 038	11 611	
58 023	Medtronic Plc.	3 044	7 206	
86 873	Merck & Co. Inc.	8 415	9 069	
17 724	PerkinElmer Inc.	1 978	1 901	
125 170	Pfizer Inc.	6 572	7 459	
21 048	Thermo Fisher Scientific Inc.	3 695	6 429	
32 681	UnitedHealth Group Incorporated	9 463	11 117	
15 010	Vertex Pharmaceuticals Inc.	2 980	3 396	
6 023	Zoetis Inc.	445	703	
		78 375	102 954	17.3

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
3 852	Boeing Co.	\$ 1 444	\$ 1 696	
22 534	Caterpillar Inc.	4 457	3 908	
35 411	CSX Corp.	3 153	3 004	
37 698	Eaton Corp Plc.	3 458	3 534	
47 187	Emerson Electric Co.	4 178	3 851	
31 149	Honeywell International Inc.	4 259	5 618	
26 693	Ingersoll-Rand Plc., Class A	3 353	3 323	
19 219	Jacobs Engineering Group Inc.	1 771	1 534	
5 192	Resideo Technologies Inc.	187	146	
1 498	Rockwell Automation Inc.	290	308	
18 244	Stanley Black & Decker Inc.	3 235	2 983	
42 869	Union Pacific Corp.	5 189	8 090	
21 141	United Continental Holdings Inc.	2 368	2 417	
5 757	United Technologies Corp.	935	837	
		38 277	41 249	6.9
Information Technology				
12 857	Accenture Plc., Class A	2 253	2 475	
18 558	Adobe Inc.	3 811	5 735	
67 035	Advanced Micro Devices Inc.	1 830	1 689	
89 710	Apple Inc.	11 909	19 343	
23 448	Applied Materials Inc.	1 345	1 049	
13 812	Autodesk Inc.	2 406	2 428	
8 340	Broadcom Inc.	1 933	2 895	
140 329	Cisco Systems Inc.	6 075	8 315	
17 587	Citrix Systems Inc.	2 405	2 460	
12 353	Cognizant Technology Solutions Corp., Class A	976	1 071	
56 803	Corning Inc.	2 352	2 343	
19 051	DXC Technology Co.	2 084	1 383	
16 096	Fidelity National Information Services Inc.	2 232	2 253	
8 762	Gartner Inc.	1 397	1 529	
83 281	Intel Corp.	4 438	5 340	
8 623	International Business Machines	1 630	1 338	
5 527	Intuit Inc.	1 436	1 485	
3 281	Lam Research Corp.	337	610	
19 464	Mastercard Inc.	4 084	5 013	
11 172	Micron Technology Inc.	606	484	
184 509	Microsoft Corp.	11 116	25 609	
19 062	Nvidia Corp.	4 693	3 474	
63 298	Oracle Corporation	3 558	3 902	
25 424	PayPal Holdings Inc.	2 652	2 921	
21 303	QUALCOMM Inc.	1 506	1 655	
16 169	Salesforce.com Inc.	1 811	3 023	
19 692	Texas Instruments Inc.	1 992	2 540	
10 474	Verisign Inc.	2 258	2 121	
50 288	Visa Inc., Class A	5 137	9 061	
		90 262	123 544	20.7

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
20 334	Air Products & Chemicals Inc.	\$ 4 060	\$ 4 444	
82 036	DowDuPont Inc.	6 982	5 990	
18 203	LyondellBasell Industries N.V.	2 534	2 067	
45 002	Newmont Mining Corporation	2 284	2 129	
35 142	The Mosaic Co.	1 674	1 401	
		17 534	16 031	2.7
Real Estate				
12 167	Crown Castle International Corp. Real Estate Investment Trust	1 687	1 805	
17 212	Extra Space Storage Inc. Real Estate Investment Trust	1 949	2 126	
20 978	Federal Realty Investment Trust	3 438	3 381	
11 582	ProLogis Inc. Trust	917	929	
8 023	Simon Property Group Inc.	1 627	1 840	
14 772	SL Green Realty Corp. Real Estate Investment Trust	1 821	1 595	
		11 439	11 676	2.0
Utilities				
14 305	Dominion Energy Inc.	1 380	1 396	
11 639	DTE Energy Company	1 576	1 753	
11 701	Edison International	1 040	907	
74 477	FirstEnergy Corporation	3 075	3 816	
7 504	NextEra Energy Inc.	1 235	1 781	
9 850	Public Service Enterprise Group	666	700	
37 875	Xcel Energy Inc.	2 358	2 548	
		11 330	12 901	2.2
TOTAL UNITED STATES EQUITIES		491 666	573 440	96.1
SHORT-TERM INVESTMENTS*		22 505	22 495	3.8
TOTAL INVESTMENTS		\$ 514 171	595 935	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
				418
				0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
				\$ 596 353
				100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.40% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 595 935	\$ 574 906
Cash	14	—
Due from investment dealers	2 818	6 357
Subscriptions receivable	1 067	540
Dividends receivable, interest accrued and other assets	557	304
TOTAL ASSETS	600 391	582 107
LIABILITIES		
Bank overdraft	—	1
Due to investment dealers	3 110	1 467
Redemptions payable	788	212
Accounts payable and accrued expenses	140	143
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4 038	1 823
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 596 353	\$ 580 284
Investments at cost	\$ 514 171	\$ 465 932
NAV		
SERIES A	\$ 3 896	\$ 3 973
ADVISOR SERIES	\$ 1 131	\$ 1 157
SERIES D	\$ 137 623	\$ 140 275
SERIES F	\$ 5 654	\$ 4 969
SERIES O	\$ 448 049	\$ 429 910
NAV PER UNIT		
SERIES A	\$ 68.17	\$ 66.55
ADVISOR SERIES	\$ 68.17	\$ 66.56
SERIES D	\$ 68.51	\$ 66.69
SERIES F	\$ 68.80	\$ 66.97
SERIES O	\$ 69.53	\$ 67.69

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 10 409	\$ 9 606
Interest for distribution purposes	369	122
Income from investment trusts	307	427
Derivative income	23	(144)
Net realized gain (loss) on investments	41 772	63 515
Change in unrealized gain (loss) on investments	(27 210)	19 166
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	25 670	92 692
Securities lending revenue (see note 7 in the generic notes)	25	1
Net gain (loss) on foreign cash balances	2 273	(1 185)
TOTAL OTHER INCOME (LOSS)	2 298	(1 184)
TOTAL INCOME (LOSS)	27 968	91 508
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 363	1 270
Administration fees	251	233
Independent Review Committee costs	2	3
GST/HST	128	118
Transaction costs	246	479
Withholding tax	1 339	1 490
TOTAL EXPENSES	3 329	3 593
INCREASE (DECREASE) IN NAV	\$ 24 639	\$ 87 915
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 103	\$ 528
ADVISOR SERIES	\$ 23	\$ 159
SERIES D	\$ 4 851	\$ 19 019
SERIES F	\$ 175	\$ 597
SERIES O	\$ 19 487	\$ 67 612
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 1.75	\$ 8.15
ADVISOR SERIES	\$ 1.38	\$ 7.89
SERIES D	\$ 2.35	\$ 8.72
SERIES F	\$ 2.28	\$ 8.27
SERIES O	\$ 3.10	\$ 9.60

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



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 24 639	\$ 87 915
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(41 255)	(63 064)
Change in unrealized loss (gain) on investments	27 210	(19 166)
(Increase) decrease in accrued receivables	(253)	443
Increase (decrease) in accrued payables	(3)	7
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(5 209 990)	(3 333 606)
Proceeds from sale and maturity of investments	5 208 188	3 417 424
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	8 536	89 953
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	96 099	50 120
Cash paid on redemption of redeemable units	(101 199)	(137 655)
Distributions paid to holders of redeemable units	(3 421)	(2 668)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (8 521)	\$ (90 203)
Net increase (decrease) in cash for the period	15	(250)
Cash (bank overdraft), beginning of period	(1)	249
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 14	\$ (1)
Interest received (paid)	\$ 368	\$ 122
Dividends received, net of withholding taxes	\$ 8 848	\$ 8 986

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 3 973	\$ 4 076	\$ 1 157	\$ 1 284	\$ 140 275	\$ 135 852	\$ 4 969	\$ 3 777
INCREASE (DECREASE) IN NAV	103	528	23	159	4 851	19 019	175	597
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 025	1 140	228	124	11 200	6 932	2 295	3 077
Reinvestments of distributions to holders of redeemable units	—	—	—	—	702	545	36	27
Redemption of redeemable units	(1 205)	(1 771)	(277)	(410)	(18 652)	(21 491)	(1 776)	(2 476)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(180)	(631)	(49)	(286)	(6 750)	(14 014)	555	628
Distributions from net income	—	—	—	—	(753)	(582)	(45)	(33)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	(753)	(582)	(45)	(33)
NET INCREASE (DECREASE) IN NAV	(77)	(103)	(26)	(127)	(2 652)	4 423	685	1 192
NAV AT END OF PERIOD	\$ 3 896	\$ 3 973	\$ 1 131	\$ 1 157	\$ 137 623	\$ 140 275	\$ 5 654	\$ 4 969

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 429 910	\$ 437 136	\$ 580 284	\$ 582 125
INCREASE (DECREASE) IN NAV	19 487	67 612	24 639	87 915
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	85 735	43 067	100 483	54 340
Reinvestments of distributions to holders of redeemable units	3 586	4 053	4 324	4 625
Redemption of redeemable units	(83 722)	(115 280)	(105 632)	(141 428)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	5 599	(68 160)	(825)	(82 463)
Distributions from net income	(6 947)	(6 678)	(7 745)	(7 293)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(6 947)	(6 678)	(7 745)	(7 293)
NET INCREASE (DECREASE) IN NAV	18 139	(7 226)	16 069	(1 841)
NAV AT END OF PERIOD	\$ 448 049	\$ 429 910	\$ 596 353	\$ 580 284

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in shares of large-capitalization, high-quality U.S. companies.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Information Technology	20.7	23.2
Health Care	17.3	13.4
Financials	13.7	15.3
Communication Services	9.5	1.6
Consumer Discretionary	8.4	13.8
Consumer Staples	7.5	7.9
Industrials	6.9	11.1
Energy	5.2	6.6
Materials	2.7	2.3
Utilities	2.2	2.0
Real Estate	2.0	1.4
Cash/Other	3.9	1.4
Total	100.0	100.0

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018	December 31 2017
Currency		
United States dollar	100.0	99.9
Total	100.0	99.9

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P 500 Total Return Index (CAD)	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	573 440	–	–	573 440
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	22 495	–	22 495
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	573 440	22 495	–	595 935
% of total portfolio	96.2	3.8	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	570 898	–	–	570 898
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	4 008	–	4 008
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	570 898	4 008	–	574 906
% of total portfolio	99.3	0.7	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2018

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	19	19
Advisor Series	36	36
Series D	20	20
Series F	20	20
Value of all units	6	6

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	335 512
Non-capital losses	–

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	60	70
Issued number of units	14	18
Reinvested number of units	–	–
Redeemed number of units	(17)	(28)
Ending number of units	57	60

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Advisor Series		
Opening units	17	22
Issued number of units	4	2
Reinvested number of units	–	–
Redeemed number of units	(4)	(7)
Ending number of units	17	17

Series D		
Opening units	2 104	2 330
Issued number of units	159	111
Reinvested number of units	10	8
Redeemed number of units	(264)	(345)
Ending number of units	2 009	2 104

Series F		
Opening units	74	65
Issued number of units	32	49
Reinvested number of units	1	–
Redeemed number of units	(25)	(40)
Ending number of units	82	74

Series O		
Opening units	6 351	7 386
Issued number of units	1 198	665
Reinvested number of units	52	59
Redeemed number of units	(1 157)	(1 759)
Ending number of units	6 444	6 351

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	246	100	479	100
Related-party brokerage commissions*	23	9	42	9
Commission arrangements†	27	11	57	12

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	21 126	18 362
Fair value of collateral received	21 549	18 729

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

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



December 31, 2018

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	34	100	1	100
RBC IS (paid)	(8)	(25)	–	(25)
Tax withheld	(1)	(3)	–	(3)
Fund revenue	25	72	1	72

Investments by other related investment funds (%)
(see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
BonaVista Balanced Fund	0.4	0.5
BonaVista Private Balanced Fund	0.4	0.4
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	6.5	7.6
Total	7.3	8.5



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
558 749	Phillips, Hager & North U.S. Equity Fund*	\$ 25 593	\$ 38 847	
TOTAL UNDERLYING FUNDS		25 593	38 847	101.9
UNREALIZED GAIN ON FOREIGN				
EXCHANGE CONTRACTS (SCHEDULE A)		—	29	0.1
UNREALIZED LOSS ON FOREIGN				
EXCHANGE CONTRACTS (SCHEDULE A)		—	(830)	(2.2)
TOTAL PORTFOLIO		<u>\$ 25 593</u>	38 046	99.8
OTHER NET ASSETS ATTRIBUTABLE TO				
HOLDERS OF REDEEMABLE UNITS			71	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS				
OF REDEEMABLE UNITS			<u>\$ 38 117</u>	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 650 Sold CAD 870 @ 0.7475	05-Mar-2019	\$ 16
Bought USD 200 Sold CAD 268 @ 0.7466	05-Mar-2019	5
Bought USD 400 Sold CAD 538 @ 0.7440	05-Mar-2019	8
		<u>\$ 29</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 7 627 Sold USD 5 596 @ 1.3630	11-Jan-2019	\$ (11)
Bought CAD 9 805 Sold USD 7 555 @ 1.2978	24-Jan-2019	(503)
Bought CAD 9 048 Sold USD 6 833 @ 1.3242	05-Mar-2019	(266)
Bought CAD 922 Sold USD 700 @ 1.3177	05-Mar-2019	(31)
Bought CAD 12 672 Sold USD 9 312 @ 1.3609	15-Mar-2019	(19)
		<u>\$ (830)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (801)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 38 847	\$ 44 158
Cash	–	118
Due from investment dealers	150	–
Subscriptions receivable	–	12
Unrealized gain on foreign exchange contracts	29	605
TOTAL ASSETS	39 026	44 893
LIABILITIES		
Bank overdraft	61	–
Redemptions payable	5	2
Unrealized loss on foreign exchange contracts	830	31
Accounts payable and accrued expenses	13	13
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	909	46
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 38 117	\$ 44 847
Investments at cost	\$ 25 593	\$ 29 405
NAV		
SERIES A	\$ 741	\$ 1 004
ADVISOR SERIES	\$ 237	\$ 331
SERIES D	\$ 6 991	\$ 8 239
SERIES F	\$ 1 117	\$ 1 538
SERIES O	\$ 29 031	\$ 33 735
NAV PER UNIT		
SERIES A	\$ 11.05	\$ 11.84
ADVISOR SERIES	\$ 11.05	\$ 11.84
SERIES D	\$ 11.09	\$ 11.84
SERIES F	\$ 11.18	\$ 11.94
SERIES O	\$ 11.21	\$ 11.97

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ –	\$ (2)
Income from investment trusts	620	657
Derivative income	(2 476)	1 570
Net realized gain (loss) on investments	2 917	4 340
Change in unrealized gain (loss) on investments	(2 874)	3 154
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(1 813)	9 719
TOTAL INCOME (LOSS)	(1 813)	9 719
EXPENSES (see notes – Fund Specific Information)		
Management fees	97	104
Administration fees	45	41
Independent Review Committee costs	2	3
GST/HST	10	11
Expenses reimbursed by manager	–	(3)
TOTAL EXPENSES	154	156
INCREASE (DECREASE) IN NAV	\$ (1 967)	\$ 9 563
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (54)	\$ 183
ADVISOR SERIES	\$ (10)	\$ 67
SERIES D	\$ (425)	\$ 1 766
SERIES F	\$ (55)	\$ 296
SERIES O	\$ (1 423)	\$ 7 251
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (0.68)	\$ 2.18
ADVISOR SERIES	\$ (0.50)	\$ 2.21
SERIES D	\$ (0.63)	\$ 2.24
SERIES F	\$ (0.47)	\$ 2.33
SERIES O	\$ (0.53)	\$ 2.42



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (1 967)	\$ 9 563
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(620)	(657)
Net realized loss (gain) on investments	(2 917)	(4 340)
Change in unrealized loss (gain) on investments	2 874	(3 154)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	—	(2)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(605)	(4 010)
Proceeds from sale and maturity of investments	7 804	13 720
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4 569	11 120
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	2 805	1 720
Cash paid on redemption of redeemable units	(7 236)	(11 352)
Distributions paid to holders of redeemable units	(317)	(1 506)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (4 748)	\$ (11 138)
Net increase (decrease) in cash for the period	(179)	(18)
Cash (bank overdraft), beginning of period	118	136
CASH (BANK OVERDRAFT), END OF PERIOD	\$ (61)	\$ 118
Interest received (paid)	\$ —	\$ (2)
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 004	\$ 888	\$ 331	\$ 398	\$ 8 239	\$ 9 258	\$ 1 538	\$ 1 400
INCREASE (DECREASE) IN NAV	(54)	183	(10)	67	(425)	1 766	(55)	296
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	83	71	44	18	1 223	846	280	329
Reinvestments of distributions to holders of redeemable units	—	43	—	7	33	366	7	62
Redemption of redeemable units	(292)	(136)	(128)	(145)	(2 044)	(3 603)	(645)	(470)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(209)	(22)	(84)	(120)	(788)	(2 391)	(358)	(79)
Distributions from net income	—	—	—	—	(35)	(29)	(8)	(10)
Distributions from net gains	—	(45)	—	(14)	—	(365)	—	(69)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	(45)	—	(14)	(35)	(394)	(8)	(79)
NET INCREASE (DECREASE) IN NAV	(263)	116	(94)	(67)	(1 248)	(1 019)	(421)	138
NAV AT END OF PERIOD	\$ 741	\$ 1 004	\$ 237	\$ 331	\$ 6 991	\$ 8 239	\$ 1 117	\$ 1 538

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 33 735	\$ 34 469	\$ 44 847	\$ 46 413
INCREASE (DECREASE) IN NAV	(1 423)	7 251	(1 967)	9 563
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 166	522	2 796	1 786
Reinvestments of distributions to holders of redeemable units	105	544	145	1 022
Redemption of redeemable units	(4 133)	(7 055)	(7 242)	(11 409)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(2 862)	(5 989)	(4 301)	(8 601)
Distributions from net income	(419)	(452)	(462)	(491)
Distributions from net gains	—	(1 544)	—	(2 037)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(419)	(1 996)	(462)	(2 528)
NET INCREASE (DECREASE) IN NAV	(4 704)	(734)	(6 730)	(1 566)
NAV AT END OF PERIOD	\$ 29 031	\$ 33 735	\$ 38 117	\$ 44 847

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with significant long-term capital growth primarily through exposure to a well-diversified portfolio of large-capitalization, high-quality U.S. companies, while minimizing currency risk.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests in the Phillips, Hager & North U.S. Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Information Technology	21.1	22.8
Health Care	17.6	13.2
Financials	14.0	15.1
Communication Services	9.7	1.6
Consumer Discretionary	8.6	13.6
Consumer Staples	7.6	7.8
Industrials	7.0	10.9
Energy	5.3	6.5
Materials	2.8	2.2
Utilities	2.2	2.0
Real Estate	2.0	1.4
Cash/Other	2.1	2.9
Total	100.0	100.0

Currency risk (% of NAV)

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

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P 500 Total Return Index (hedged to CAD)	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	38 847	—	—	38 847
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	29	—	29
Derivatives – liabilities	—	(830)	—	(830)
Total financial instruments	38 847	(801)	—	38 046
% of total portfolio	102.1	(2.1)	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	44 158	—	—	44 158
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	605	—	605
Derivatives – liabilities	—	(31)	—	(31)
Total financial instruments	44 158	574	—	44 732
% of total portfolio	98.7	1.3	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.10%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	85	85
Advisor Series	164	164
Series D	123	123
Series F	92	91
Series O	98	96
Value of all units	6	7

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
U.S. Equity Fund	101.9	6.5	98.5	7.6

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	154
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	85	87
Issued number of units	7	6
Reinvested number of units	—	4
Redeemed number of units	(25)	(12)
Ending number of units	67	85
Advisor Series		
Opening units	28	39
Issued number of units	3	1
Reinvested number of units	—	1
Redeemed number of units	(10)	(13)
Ending number of units	21	28

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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	696	912
Issued number of units	101	76
Reinvested number of units	3	31
Redeemed number of units	(169)	(323)
Ending number of units	631	696
Series F		
Opening units	129	137
Issued number of units	23	29
Reinvested number of units	1	5
Redeemed number of units	(53)	(42)
Ending number of units	100	129
Series O		
Opening units	2 818	3 354
Issued number of units	96	48
Reinvested number of units	10	45
Redeemed number of units	(333)	(629)
Ending number of units	2 591	2 818

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. "Net amount" represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	29	(830)
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	29	(830)
Related amounts not set-off	(29)	29
Collateral (received) pledged	—	—
Net amount	—	(801)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	605	(31)
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	605	(31)
Related amounts not set-off	(9)	9
Collateral (received) pledged	—	—
Net amount	596	(22)



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH U.S. GROWTH FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Communication Services				
2 366	Activision Blizzard Inc.	\$ 222	\$ 151	
2 706	Alphabet Inc., Class C	1 795	3 832	
1 998	Charter Communications Inc.	834	778	
10 600	Comcast Corp., Class A	523	493	
3 217	Electronic Arts Inc.	509	347	
10 743	Facebook Inc., Class A	1 695	1 926	
8 144	The Walt Disney Company	1 187	1 219	
20 450	Verizon Communications Inc.	1 411	1 570	
		8 176	10 316	9.6
Consumer Discretionary				
1 576	Amazon.com, Inc.	1 199	3 232	
409	Autozone Inc.	413	468	
3 068	Dollar General Corp.	430	453	
3 478	Dollar Tree Inc.	363	429	
4 407	Home Depot Inc.	867	1 034	
2 352	Mohawk Industries Inc.	652	375	
4 866	Nike Inc.	414	492	
3 823	PVH Corp.	547	485	
7 165	Ross Stores Inc.	700	814	
2 659	Royal Caribbean Cruises Ltd.	416	355	
10 238	Tapestry Inc.	623	472	
1 125	Ulta Salon, Cosmetics & Fragrance, Inc.	381	376	
		7 005	8 985	8.3
Consumer Staples				
3 613	Colgate-Palmolive Company	367	294	
1 271	Costco Wholesale Corp.	261	354	
3 264	Coty Inc.	79	29	
2 434	Estée Lauder Companies Inc., Class A	459	432	
5 266	Kimberly-Clark Corp.	808	819	
16 150	Mondelez International Inc.	965	883	
5 418	PepsiCo Inc.	355	817	
5 922	Philip Morris International Inc.	815	540	
14 156	The Coca-Cola Co.	827	915	
2 221	The Kraft Heinz Co.	257	131	
8 630	The Kroger Co.	323	324	
9 705	The Procter & Gamble Co.	1 103	1 218	
3 615	Tyson Foods Inc.	306	264	
2 462	Walgreens Boots Alliance Inc.	273	230	
7 623	Walmart Inc.	796	969	
		7 994	8 219	7.6
Energy				
4 029	Chevron Corp.	588	599	
12 468	ConocoPhillips	878	1 061	
5 988	EOG Resources Inc.	788	713	
21 838	Exxon Mobil Corp.	2 371	2 033	
12 367	Halliburton Co.	758	448	
13 058	Kinder Morgan Inc.	307	273	
22 496	Marathon Oil Corp.	608	439	
511	Pioneer Natural Resources Co.	103	91	
		6 401	5 657	5.3

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials				
1 574	American Express Company	\$ 233	\$ 205	
5 112	American International Group Inc.	403	275	
2 131	Aon Plc.	384	423	
60 059	Bank of America Corp.	1 391	2 022	
7 327	Berkshire Hathaway Inc., Class B	1 603	2 045	
1 092	BlackRock Inc.	601	586	
3 389	Capital One Financial Corp.	390	350	
3 392	Chubb Ltd.	561	598	
6 603	Citigroup Inc.	469	469	
1 284	CME Group Inc., Class A	203	330	
3 278	Comerica Inc.	420	307	
1 792	Discover Financial Services	141	144	
8 478	E*TRADE Financial Corp.	623	508	
17 115	JPMorgan Chase & Co.	1 990	2 284	
4 215	MetLife Inc.	277	236	
14 977	Morgan Stanley	907	811	
1 663	PNC Bank Corp.	278	265	
3 514	State Street Corp.	428	303	
6 461	Suntrust Banks Inc.	376	445	
4 453	The Charles Schwab Corporation	258	253	
2 270	The Progressive Corp.	123	187	
4 080	U.S. Bancorp	279	255	
21 559	Wells Fargo & Company	1 532	1 357	
		13 870	14 658	13.6
Health Care				
15 427	Abbott Laboratories	839	1 523	
3 440	Anthem Inc.	699	1 233	
2 925	Becton Dickinson & Co.	859	900	
11 862	Boston Scientific Corp.	543	572	
8 041	Bristol-Myers Squibb Co.	687	570	
1 074	Cooper Co. Inc.	363	373	
6 551	CVS Health Corp.	706	586	
6 805	Danaher Corp.	745	958	
8 879	Eli Lilly & Co.	895	1 403	
12 134	Johnson & Johnson	1 113	2 138	
10 667	Medtronic Plc.	974	1 325	
15 525	Merck & Co. Inc.	1 500	1 621	
3 221	PerkinElmer Inc.	360	345	
22 447	Pfizer Inc.	1 167	1 338	
3 846	Thermo Fisher Scientific Inc.	634	1 175	
5 828	UnitedHealth Group Incorporated	1 673	1 983	
2 736	Vertex Pharmaceuticals Inc.	539	619	
996	Zoetis Inc.	72	116	
		14 368	18 778	17.4
Industrials				
620	Boeing Co.	230	273	
4 090	Caterpillar Inc.	815	709	
6 340	CSX Corp.	566	538	
6 983	Eaton Corp Plc.	640	655	
8 667	Emerson Electric Co.	772	707	
5 743	Honeywell International Inc.	755	1 036	
4 806	Ingersoll-Rand Plc., Class A	604	598	
3 272	Jacobs Engineering Group Inc.	304	261	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials (cont.)				
957	Resideo Technologies Inc.	\$ 35	\$ 27	
274	Rockwell Automation Inc.	53	56	
3 345	Stanley Black & Decker Inc.	596	547	
7 969	Union Pacific Corp.	916	1 504	
3 835	United Continental Holdings Inc.	429	438	
974	United Technologies Corp.	159	142	
		<u>6 874</u>	<u>7 491</u>	<u>7.0</u>
Information Technology				
2 371	Accenture Plc., Class A	412	456	
3 296	Adobe Inc.	654	1 019	
12 137	Advanced Micro Devices Inc.	332	306	
16 033	Apple Inc.	1 987	3 457	
4 329	Applied Materials Inc.	251	194	
2 495	Autodesk Inc.	435	439	
1 510	Broadcom Inc.	334	524	
25 106	Cisco Systems Inc.	1 065	1 488	
3 169	Citrix Systems Inc.	432	443	
2 281	Cognizant Technology Solutions Corp., Class A	180	198	
10 328	Corning Inc.	428	426	
3 459	DXC Technology Co.	385	251	
2 894	Fidelity National Information Services Inc.	402	405	
1 515	Gartner Inc.	240	264	
14 857	Intel Corp.	781	953	
1 538	International Business Machines	293	239	
990	Intuit Inc.	257	266	
600	Lam Research Corp.	55	112	
3 445	Mastercard Inc.	709	887	
1 997	Micron Technology Inc.	109	87	
32 974	Microsoft Corp.	1 593	4 577	
3 392	Nvidia Corp.	844	618	
11 295	Oracle Corporation	633	696	
4 533	PayPal Holdings Inc.	506	521	
3 928	QUALCOMM Inc.	276	305	
2 910	Salesforce.com Inc.	317	544	
3 522	Texas Instruments Inc.	352	454	
1 892	Verisign Inc.	409	383	
9 237	Visa Inc., Class A	894	1 664	
		<u>15 565</u>	<u>22 176</u>	<u>20.6</u>
Materials				
3 680	Air Products & Chemicals Inc.	732	803	
14 967	DowDuPont Inc.	1 285	1 092	
3 256	LyondellBasell Industries N.V.	458	370	
8 052	Newmont Mining Corporation	411	381	
6 268	The Mosaic Co.	301	250	
		<u>3 187</u>	<u>2 896</u>	<u>2.7</u>

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate				
2 171	Crown Castle International Corp. Real Estate Investment Trust	\$ 300	\$ 322	
3 081	Extra Space Storage Inc. Real Estate Investment Trust	347	381	
3 738	Federal Realty Investment Trust	612	602	
2 050	ProLogis Inc. Trust	162	164	
1 424	Simon Property Group Inc.	287	327	
2 662	SL Green Realty Corp. Real Estate Investment Trust	329	287	
		<u>2 037</u>	<u>2 083</u>	<u>1.9</u>
Utilities				
2 643	Dominion Energy Inc.	255	258	
2 092	DTE Energy Company	281	315	
2 115	Edison International	189	164	
13 378	FirstEnergy Corporation	546	686	
1 365	NextEra Energy Inc.	220	324	
1 754	Public Service Enterprise Group	118	125	
6 891	Xcel Energy Inc.	427	464	
		<u>2 036</u>	<u>2 336</u>	<u>2.2</u>
TOTAL UNITED STATES EQUITIES		<u>87 513</u>	<u>103 595</u>	<u>96.2</u>
SHORT-TERM INVESTMENTS*		<u>3 957</u>	<u>3 955</u>	<u>3.7</u>
TOTAL INVESTMENTS		<u>\$ 91 470</u>	<u>107 550</u>	<u>99.9</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		<u>\$ 107 686</u>	<u>100.0</u>	

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 2.40% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 107 550	\$ 110 590
Cash	118	–
Due from investment dealers	509	1 297
Subscriptions receivable	12	22
Dividends receivable, interest accrued and other assets	104	59
TOTAL ASSETS	108 293	111 968
LIABILITIES		
Bank overdraft	–	91
Due to investment dealers	549	282
Redemptions payable	13	123
Accounts payable and accrued expenses	45	45
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	607	541
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 107 686	\$ 111 427
Investments at cost	\$ 91 470	\$ 88 816
NAV		
SERIES A	\$ 2 115	\$ 2 064
ADVISOR SERIES	\$ 274	\$ 277
SERIES D	\$ 39 761	\$ 41 137
SERIES F	\$ 3 034	\$ 2 622
SERIES O	\$ 62 502	\$ 65 327
NAV PER UNIT		
SERIES A	\$ 25.92	\$ 25.35
ADVISOR SERIES	\$ 25.91	\$ 25.35
SERIES D	\$ 26.82	\$ 26.16
SERIES F	\$ 27.10	\$ 26.45
SERIES O	\$ 27.39	\$ 26.73

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 977	\$ 1 799
Interest for distribution purposes	55	12
Income from investment trusts	51	80
Derivative income	3	(7)
Net realized gain (loss) on investments	8 403	12 428
Change in unrealized gain (loss) on investments	(5 694)	2 851
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	4 795	17 163
Securities lending revenue (see note 7 in the generic notes)	4	–
Net gain (loss) on foreign cash balances	322	(140)
TOTAL OTHER INCOME (LOSS)	326	(140)
TOTAL INCOME (LOSS)	5 121	17 023
EXPENSES (see notes – Fund Specific Information)		
Management fees	422	388
Administration fees	92	91
Independent Review Committee costs	2	3
GST/HST	37	34
Transaction costs	47	90
Withholding tax	269	263
TOTAL EXPENSES	869	869
INCREASE (DECREASE) IN NAV	\$ 4 252	\$ 16 154
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 49	\$ 229
ADVISOR SERIES	\$ 8	\$ 27
SERIES D	\$ 1 362	\$ 5 595
SERIES F	\$ 78	\$ 330
SERIES O	\$ 2 755	\$ 9 973
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.59	\$ 2.90
ADVISOR SERIES	\$ 0.65	\$ 3.27
SERIES D	\$ 0.88	\$ 3.42
SERIES F	\$ 0.75	\$ 3.41
SERIES O	\$ 1.18	\$ 3.80



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 4 252	\$ 16 154
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(8 352)	(12 344)
Change in unrealized loss (gain) on investments	5 694	(2 851)
(Increase) decrease in accrued receivables	(45)	82
Increase (decrease) in accrued payables	—	3
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(758 207)	(426 276)
Proceeds from sale and maturity of investments	764 960	439 376
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	8 302	14 144
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	5 562	4 496
Cash paid on redemption of redeemable units	(12 868)	(18 101)
Distributions paid to holders of redeemable units	(787)	(711)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (8 093)	\$ (14 316)
Net increase (decrease) in cash for the period	209	(172)
Cash (bank overdraft), beginning of period	(91)	81
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 118	\$ (91)
Interest received (paid)	\$ 55	\$ 12
Dividends received, net of withholding taxes	\$ 1 669	\$ 1 699

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 2 064	\$ 1 532	\$ 277	\$ 190	\$ 41 137	\$ 39 450	\$ 2 622	\$ 2 268
INCREASE (DECREASE) IN NAV	49	229	8	27	1 362	5 595	78	330
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	528	612	70	135	3 441	3 307	876	604
Reinvestments of distributions to holders of redeemable units	—	—	—	—	208	192	20	14
Redemption of redeemable units	(526)	(309)	(81)	(75)	(6 171)	(7 209)	(536)	(575)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	2	303	(11)	60	(2 522)	(3 710)	360	43
Distributions from net income	—	—	—	—	(216)	(198)	(26)	(19)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	(216)	(198)	(26)	(19)
NET INCREASE (DECREASE) IN NAV	51	532	(3)	87	(1 376)	1 687	412	354
NAV AT END OF PERIOD	\$ 2 115	\$ 2 064	\$ 274	\$ 277	\$ 39 761	\$ 41 137	\$ 3 034	\$ 2 622

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 65 327	\$ 66 230	\$ 111 427	\$ 109 670
INCREASE (DECREASE) IN NAV	2 755	9 973	4 252	16 154
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 294	697	6 209	5 355
Reinvestments of distributions to holders of redeemable units	187	241	415	447
Redemption of redeemable units	(6 101)	(10 873)	(13 415)	(19 041)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(4 620)	(9 935)	(6 791)	(13 239)
Distributions from net income	(960)	(941)	(1 202)	(1 158)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(960)	(941)	(1 202)	(1 158)
NET INCREASE (DECREASE) IN NAV	(2 825)	(903)	(3 741)	1 757
NAV AT END OF PERIOD	\$ 62 502	\$ 65 327	\$ 107 686	\$ 111 427

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of shares of large-capitalization, high-quality North American companies, with an emphasis on U.S. stocks.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Information Technology	20.6	23.2
Health Care	17.4	13.5
Financials	13.6	15.3
Communication Services	9.6	1.6
Consumer Discretionary	8.3	13.8
Consumer Staples	7.6	8.3
Industrials	7.0	11.2
Energy	5.3	6.7
Materials	2.7	2.3
Utilities	2.2	2.0
Real Estate	1.9	1.4
Cash/Other	3.8	0.7
Total	100.0	100.0

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018	December 31 2017
Currency		
United States dollar	99.9	100.0
Total	99.9	100.0

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P 500 Total Return Index (CAD)	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	103 595	–	–	103 595
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	3 955	–	3 955
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	103 595	3 955	–	107 550
% of total portfolio	96.3	3.7	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	110 590	–	–	110 590
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	110 590	–	–	110 590
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2018

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.07%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	50	50
Advisor Series	95	95
Series F	52	52
Series O	55	54
Value of all units	7	6

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	15 549
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	81	69
Issued number of units	20	25
Reinvested number of units	—	—
Redeemed number of units	(19)	(13)
Ending number of units	82	81

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Advisor Series		
Opening units	11	9
Issued number of units	3	5
Reinvested number of units	—	—
Redeemed number of units	(3)	(3)
Ending number of units	11	11

Series D		
Opening units	1 573	1 726
Issued number of units	125	135
Reinvested number of units	8	7
Redeemed number of units	(223)	(295)
Ending number of units	1 483	1 573

Series F		
Opening units	99	98
Issued number of units	31	24
Reinvested number of units	1	1
Redeemed number of units	(19)	(24)
Ending number of units	112	99

Series O		
Opening units	2 444	2 836
Issued number of units	46	29
Reinvested number of units	7	9
Redeemed number of units	(215)	(430)
Ending number of units	2 282	2 444

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	47	100	90	100
Related-party brokerage commissions*	5	11	8	9
Commission arrangements†	5	11	11	12

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	4 277	3 485
Fair value of collateral received	4 363	3 555

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

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



December 31, 2018

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	6	100	—	100
RBC IS (paid)	(2)	(25)	—	(25)
Tax withheld	—	(3)	—	(8)
Fund revenue	4	72	—	67

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



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

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
INTERNATIONAL EQUITIES				
Australia				
5 241 479	Oil Search Ltd.	\$ 40 484	\$ 36 043	
		40 484	36 043	3.0
Belgium				
653 053	Anheuser-Busch InBev S.A./N.V.	80 155	58 734	
404 198	Umicore S.A.	21 899	22 020	
		102 054	80 754	6.6
Denmark				
349 626	Novo Nordisk A/S	23 389	21 886	
371 526	Orsted A/S	29 966	33 941	
		53 355	55 827	4.6
France				
171 171	Safran S.A.	13 596	28 027	
		13 596	28 027	2.3
Germany				
1 837 211	Deutsche Post AG	69 294	68 496	
		69 294	68 496	5.6
Hong Kong				
5 312 707	AIA Group Ltd.	37 715	60 249	
		37 715	60 249	5.0
India				
893 507	HDFC Bank Ltd.	22 815	37 107	
107 976	HDFC Bank Ltd. ADR	6 277	15 263	
		29 092	52 370	4.3
Ireland				
257 229	Paddy Power Betfair Plc.	42 292	28 682	
		42 292	28 682	2.4
Japan				
2 214 547	Astellas Pharma Inc.	36 859	38 628	
1 177 226	MISUMI Group Inc.	36 782	33 857	
409 625	Nidec Corp.	46 365	63 274	
271 354	Oriental Land Co. Ltd.	36 716	37 256	
259 436	Recruit Holdings Co. Ltd.	8 526	8 557	
251 854	Shin-Etsu Chemical Co. Ltd.	33 512	26 418	
244 621	Sysmex Corp.	18 660	15 860	
		217 420	223 850	18.4
Netherlands				
41 653	ASML Holding N.V.	5 426	8 908	
1 599 148	ING Groep N.V.	31 328	23 483	
		36 754	32 391	2.7
South Africa				
99 201	Naspers Ltd.	16 209	27 115	
		16 209	27 115	2.2
Spain				
251 725	Inditex S.A.	9 193	8 772	
		9 193	8 772	0.7

Holdings	Security	Cost	Fair Value	% of Net Assets
Sweden				
754 325	Essity AB	\$ 25 240	\$ 25 244	
		25 240	25 244	2.1
Switzerland				
37 390	Partners Group Holding AG	17 380	31 053	
233 625	Roche Holdings AG Genussscheine	68 000	79 181	
		85 380	110 234	9.1
Taiwan				
493 938	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	15 943	24 879	
		15 943	24 879	2.0
Thailand				
860 038	Kasikornbank PCL	5 844	6 661	
		5 844	6 661	0.5
United Kingdom				
423 752	Croda International Plc.	33 134	34 549	
889 632	InterContinental Hotels Group Plc.	59 211	65 697	
5 622 718	Legal & General Group Plc.	22 634	22 617	
171 664	Linde Plc.	37 531	37 270	
544 226	Rio Tinto Plc.	31 035	35 583	
613 966	Royal Dutch Shell Plc., B Shares	25 571	25 060	
2 355 808	St. James's Place Plc.	38 394	38 735	
1 012 274	Unilever Plc.	71 601	72 557	
		319 111	332 068	27.3
TOTAL INTERNATIONAL EQUITIES		1 118 976	1 201 662	98.8
SHORT-TERM INVESTMENTS*		13 299	13 299	1.1
TOTAL INVESTMENTS		\$1 132 275	1 214 961	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			1 010	0.1
			\$1 215 971	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.15% and mature between January 2, 2019 and January 31, 2019.

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 1 214 961	\$ 1 213 293
Cash	309	799
Due from investment dealers	–	1 413
Subscriptions receivable	1 580	716
Unrealized gain on foreign exchange contracts	–	16
Dividends receivable, interest accrued and other assets	4	100
TOTAL ASSETS	1 216 854	1 216 337
LIABILITIES		
Due to investment dealers	–	441
Redemptions payable	629	508
Accounts payable and accrued expenses	254	264
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	883	1 213
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 215 971	\$ 1 215 124
Investments at cost	\$ 1 132 275	\$ 945 190
NAV		
SERIES A	\$ 4 245	\$ 3 758
ADVISOR SERIES	\$ 2 832	\$ 1 817
SERIES D	\$ 189 954	\$ 212 598
SERIES F	\$ 27 552	\$ 15 288
SERIES O	\$ 991 388	\$ 981 663
NAV PER UNIT		
SERIES A	\$ 14.18	\$ 15.71
ADVISOR SERIES	\$ 14.18	\$ 15.71
SERIES D	\$ 14.09	\$ 15.61
SERIES F	\$ 13.43	\$ 14.89
SERIES O	\$ 14.36	\$ 15.92

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 31 676	\$ 27 393
Interest for distribution purposes	220	93
Derivative income	28	188
Net realized gain (loss) on investments	59 247	51 625
Change in unrealized gain (loss) on investments	(185 433)	204 306
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(94 262)	283 605
Other income (loss)	76	–
Securities lending revenue (see note 7 in the generic notes)	88	167
Net gain (loss) on foreign cash balances	(327)	(917)
TOTAL OTHER INCOME (LOSS)	(163)	(750)
TOTAL INCOME (LOSS)	(94 425)	282 855
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 391	2 042
Administration fees	562	899
Independent Review Committee costs	2	3
GST/HST	240	225
Transaction costs	1 222	2 336
Withholding tax	3 079	2 687
TOTAL EXPENSES	7 496	8 192
INCREASE (DECREASE) IN NAV	\$ (101 921)	\$ 274 663
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (486)	\$ 713
ADVISOR SERIES	\$ (295)	\$ 248
SERIES D	\$ (17 714)	\$ 43 516
SERIES F	\$ (2 680)	\$ 2 578
SERIES O	\$ (80 746)	\$ 227 608
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (1.68)	\$ 3.17
ADVISOR SERIES	\$ (1.83)	\$ 2.97
SERIES D	\$ (1.32)	\$ 3.28
SERIES F	\$ (1.73)	\$ 3.12
SERIES O	\$ (1.27)	\$ 3.54

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



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (101 921)	\$ 274 663
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(58 139)	(49 609)
Change in unrealized loss (gain) on investments	185 433	(204 306)
(Increase) decrease in accrued receivables	96	381
Increase (decrease) in accrued payables	(10)	17
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(861 298)	(802 505)
Proceeds from sale and maturity of investments	733 324	853 500
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(102 515)	72 141
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	300 366	135 255
Cash paid on redemption of redeemable units	(188 553)	(199 335)
Distributions paid to holders of redeemable units	(9 788)	(7 386)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 102 025	\$ (71 466)
Net increase (decrease) in cash for the period	(490)	675
Cash (bank overdraft), beginning of period	799	124
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 309	\$ 799
Interest received (paid)	\$ 220	\$ 91
Dividends received, net of withholding taxes	\$ 28 769	\$ 25 089

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 3 758	\$ 2 888	\$ 1 817	\$ 1 013	\$ 212 598	\$ 165 905	\$ 15 288	\$ 9 150
INCREASE (DECREASE) IN NAV	(486)	713	(295)	248	(17 714)	43 516	(2 680)	2 578
Early redemption fees	—	—	—	—	—	1	—	—
Proceeds from redeemable units issued	2 622	1 141	1 897	1 028	28 337	19 487	21 914	6 784
Reinvestments of distributions to holders of redeemable units	10	—	6	—	1 882	1 558	242	103
Redemption of redeemable units	(1 649)	(984)	(586)	(472)	(33 081)	(16 174)	(6 885)	(3 169)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	983	157	1 317	556	(2 862)	4 872	15 271	3 718
Distributions from net income	(10)	—	(7)	—	(2 068)	(1 695)	(327)	(158)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(10)	—	(7)	—	(2 068)	(1 695)	(327)	(158)
NET INCREASE (DECREASE) IN NAV	487	870	1 015	804	(22 644)	46 693	12 264	6 138
NAV AT END OF PERIOD	\$ 4 245	\$ 3 758	\$ 2 832	\$ 1 817	\$ 189 954	\$ 212 598	\$ 27 552	\$ 15 288

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 981 663	\$ 835 297	\$ 1 215 124	\$ 1 014 253
INCREASE (DECREASE) IN NAV	(80 746)	227 608	(101 921)	274 663
Early redemption fees	—	—	—	1
Proceeds from redeemable units issued	263 023	107 051	317 793	135 491
Reinvestments of distributions to holders of redeemable units	13 705	13 490	15 845	15 151
Redemption of redeemable units	(163 036)	(181 099)	(205 237)	(201 898)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	113 692	(60 558)	128 401	(51 255)
Distributions from net income	(23 221)	(20 684)	(25 633)	(22 537)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(23 221)	(20 684)	(25 633)	(22 537)
NET INCREASE (DECREASE) IN NAV	9 725	146 366	847	200 871
NAV AT END OF PERIOD	\$ 991 388	\$ 981 663	\$ 1 215 971	\$ 1 215 124

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing in common stocks in companies located in countries outside North America, including countries in Europe, the Far East (including Japan), and Australia.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Europe ex-United Kingdom Equities	36.1	36.9
United Kingdom Equities	27.3	19.4
Japan Equities	18.4	18.0
Pacific Rim ex-Japan Equities	14.8	19.9
Middle East and Africa Equities	2.2	4.6
Cash/Other	1.2	1.2
Total	100.0	100.0

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018	December 31 2017
Currency		
Pound sterling	26.6	21.9
Euro	21.0	21.1
Japanese yen	18.4	18.0
Swiss franc	9.1	9.2
Hong Kong dollar	5.0	4.3
Danish krone	4.6	2.5
United States dollar	3.3	8.2
Indian rupee	3.1	2.4
Australian dollar	3.0	3.7
South African rand	2.2	4.6
Swedish krona	2.1	–
Thailand baht	0.5	1.6
South Korean won	–	1.2
Total	98.9	98.7

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 4.9% (December 31, 2017 – 4.9%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
MSCI EAFE Total Return Net Index (CAD)	+ or - 1.1	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	40 142	1 161 520	–	1 201 662
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	13 299	–	13 299
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	40 142	1 174 819	–	1 214 961
% of total portfolio	3.3	96.7	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	99 836	1 101 041	–	1 200 877
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	12 416	–	12 416
Derivatives – assets	–	16	–	16
Derivatives – liabilities	–	–	–	–
Total financial instruments	99 836	1 113 473	–	1 213 309
% of total portfolio	8.2	91.8	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2018

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees*
Series A	1.75%	0.15%
Advisor Series	1.75%	0.15%
Series D	1.00%	0.15%
Series F	0.75%	0.15%
Series O	n/a [†]	0.02%

* Effective October 2, 2017, the administration fees for Series O units were reduced to 0.02% from 0.08%.

[†] Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	53	53
Advisor Series	103	103
Series D	57	56
Series F	62	61
Value of all units	4	4

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	162 885
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	239	230
Issued number of units	165	79
Reinvested number of units	1	—
Redeemed number of units	(106)	(70)
Ending number of units	299	239

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Advisor Series		
Opening units	116	81
Issued number of units	121	70
Reinvested number of units	—	—
Redeemed number of units	(37)	(35)
Ending number of units	200	116

Series D		
Opening units	13 618	13 316
Issued number of units	1 820	1 354
Reinvested number of units	136	100
Redeemed number of units	(2 091)	(1 152)
Ending number of units	13 483	13 618

Series F		
Opening units	1 027	770
Issued number of units	1 488	484
Reinvested number of units	18	7
Redeemed number of units	(482)	(234)
Ending number of units	2 051	1 027

Series O		
Opening units	61 661	65 680
Issued number of units	16 803	7 377
Reinvested number of units	970	846
Redeemed number of units	(10 390)	(12 242)
Ending number of units	69 044	61 661

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	1 222	100	2 336	100
Related-party brokerage commissions*	29	2	64	3
Commission arrangements [†]	426	35	1 319	56

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	33 936	19 922
Fair value of collateral received	34 615	20 321



December 31, 2018

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	117	100	237	100
RBC IS (paid)	(29)	(25)	(69)	(29)
Tax withheld	–	–	(1)	(1)
Fund revenue	88	75	167	70

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
BonaVista Balanced Fund	0.2	0.3
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	13.1	15.9
Phillips, Hager & North Overseas Equity Class	5.0	5.0
RBC Total Return Growth Fund	–	–
Total	18.3	21.2

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	–	–
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	–	–
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	–	–

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	16	–
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	16	–
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	16	–

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
11 124 638	Phillips, Hager & North Overseas Equity Fund*	\$ 131 333	\$ 159 735	
TOTAL UNDERLYING FUNDS		131 333	159 735	104.2
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	704	0.5
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(7 434)	(4.9)
TOTAL PORTFOLIO		<u>\$ 131 333</u>	<u>153 005</u>	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			264	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 153 269</u>	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 200 Sold CAD 265 @ 0.7560	10-Jan-2019	\$ 8
Bought USD 400 Sold CAD 529 @ 0.7559	10-Jan-2019	17
Bought USD 1 375 Sold CAD 1 851 @ 0.7427	10-Jan-2019	25
Bought AUD 33 Sold CAD 32 @ 1.0427	15-Jan-2019	—
Bought CAD 193 Sold ZAR 2 000 @ 0.0964	17-Jan-2019	3
Bought ZAR 1 000 Sold CAD 92 @ 10.9277	17-Jan-2019	3
Bought CHF 73 Sold CAD 100 @ 0.7298	18-Jan-2019	1
Bought EUR 326 Sold CAD 505 @ 0.6453	18-Jan-2019	5
Bought CAD 34 Sold ZAR 361 @ 0.0939	22-Jan-2019	—
Bought HKD 1 000 Sold CAD 168 @ 5.9562	22-Jan-2019	6
Bought JPY 55 000 Sold CAD 644 @ 85.3620	22-Jan-2019	41
Bought JPY 70 000 Sold CAD 831 @ 84.2330	22-Jan-2019	42
Bought ZAR 2 500 Sold CAD 222 @ 11.2840	22-Jan-2019	15
Bought ZAR 1 500 Sold CAD 133 @ 11.2782	22-Jan-2019	9
Bought ZAR 1 000 Sold CAD 88 @ 11.3372	22-Jan-2019	6
Bought ZAR 2 300 Sold CAD 208 @ 11.0405	22-Jan-2019	9
Bought ZAR 800 Sold CAD 76 @ 10.5075	22-Jan-2019	—
Bought ZAR 256 Sold CAD 24 @ 10.7170	22-Jan-2019	—
Bought JPY 40 000 Sold CAD 469 @ 85.3210	23-Jan-2019	30
Bought JPY 140 000 Sold CAD 1 661 @ 84.2991	23-Jan-2019	85
Bought JPY 125 000 Sold CAD 1 528 @ 81.7800	23-Jan-2019	30
Bought JPY 60 000 Sold CAD 741 @ 80.9240	23-Jan-2019	7
Bought USD 360 Sold CAD 474 @ 0.7596	23-Jan-2019	17
Bought USD 650 Sold CAD 858 @ 0.7575	23-Jan-2019	29
Bought USD 3 000 Sold CAD 4 026 @ 0.7451	23-Jan-2019	67
Bought EUR 800 Sold CAD 1 238 @ 0.6460	24-Jan-2019	15
Bought INR 4 000 Sold CAD 73 @ 55.0700	24-Jan-2019	6
Bought INR 4 000 Sold CAD 74 @ 54.0748	24-Jan-2019	4
Bought INR 4 250 Sold CAD 79 @ 53.8289	24-Jan-2019	4
Bought USD 300 Sold CAD 402 @ 0.7472	24-Jan-2019	8
Bought USD 535 Sold CAD 720 @ 0.7428	24-Jan-2019	10
Bought USD 50 Sold CAD 68 @ 0.7397	24-Jan-2019	1
Bought SEK 385 Sold CAD 59 @ 6.5550	29-Jan-2019	1

SCHEDULE A (cont.)

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought EUR 400 Sold CAD 604 @ 0.6625	31-Jan-2019	\$ 23
Bought EUR 400 Sold CAD 611 @ 0.6546	31-Jan-2019	16
Bought EUR 350 Sold CAD 548 @ 0.6389	31-Jan-2019	1
Bought JPY 16 883 Sold CAD 206 @ 81.9600	12-Feb-2019	5
Bought CHF 115 Sold CAD 160 @ 0.7186	14-Feb-2019	—
Bought HKD 1 500 Sold CAD 257 @ 5.8316	14-Feb-2019	4
Bought DKK 249 Sold CAD 52 @ 4.8075	15-Feb-2019	1
Bought SEK 153 Sold CAD 23 @ 6.6276	15-Feb-2019	1
Bought AUD 200 Sold CAD 191 @ 1.0451	20-Feb-2019	1
Bought CAD 498 Sold AUD 517 @ 0.9634	20-Feb-2019	1
Bought CAD 96 Sold AUD 100 @ 0.9574	20-Feb-2019	—
Bought CAD 567 Sold AUD 590 @ 0.9605	20-Feb-2019	—
Bought DKK 5 265 Sold CAD 1 084 @ 4.8568	22-Feb-2019	23
Bought SEK 750 Sold CAD 114 @ 6.5974	25-Feb-2019	2
Bought CHF 2 197 Sold CAD 2 998 @ 0.7329	26-Feb-2019	66
Bought CHF 300 Sold CAD 412 @ 0.7281	26-Feb-2019	6
Bought HKD 2 000 Sold CAD 344 @ 5.8073	26-Feb-2019	4
Bought CAD 15 Sold AUD 16 @ 0.9595	06-Mar-2019	—
Bought GBP 118 Sold CAD 202 @ 0.5839	06-Mar-2019	4
Bought ZAR 6 451 Sold CAD 600 @ 10.7588	06-Mar-2019	7
Bought HKD 311 Sold CAD 54 @ 5.7870	07-Mar-2019	1
Bought THB 750 Sold CAD 31 @ 24.4940	07-Mar-2019	1
Bought THB 375 Sold CAD 15 @ 24.2770	07-Mar-2019	—
Bought THB 350 Sold CAD 15 @ 23.8261	07-Mar-2019	—
Bought CHF 300 Sold CAD 408 @ 0.7359	08-Mar-2019	11
Bought CAD 3 586 Sold AUD 3 726 @ 0.9623	15-Mar-2019	4
Bought CAD 110 Sold AUD 115 @ 0.9601	15-Mar-2019	—
Bought DKK 600 Sold CAD 126 @ 4.7561	15-Mar-2019	—
Bought GBP 300 Sold CAD 505 @ 0.5941	19-Mar-2019	18
		\$ 704

Contracts	Maturity Date	Unrealized Loss
Bought CAD 2 027 Sold USD 1 555 @ 1.3035	10-Jan-2019	\$ (96)
Bought CAD 171 Sold USD 130 @ 1.3163	10-Jan-2019	(6)
Bought CAD 202 Sold USD 150 @ 1.3473	10-Jan-2019	(3)
Bought CAD 407 Sold ZAR 4 500 @ 0.0906	17-Jan-2019	(19)
Bought CAD 92 Sold ZAR 1 000 @ 0.0920	17-Jan-2019	(3)
Bought CAD 7 529 Sold EUR 5 018 @ 1.5005	18-Jan-2019	(327)
Bought CAD 5 851 Sold CHF 4 447 @ 1.3157	18-Jan-2019	(332)
Bought CAD 267 Sold CHF 200 @ 1.3340	18-Jan-2019	(11)
Bought CAD 5 733 Sold JPY 496 970 @ 0.0115	22-Jan-2019	(464)
Bought CAD 2 459 Sold ZAR 27 168 @ 0.0905	22-Jan-2019	(111)
Bought CAD 1 926 Sold HKD 11 492 @ 0.1676	22-Jan-2019	(78)
Bought CAD 362 Sold ZAR 4 000 @ 0.0904	22-Jan-2019	(17)
Bought CAD 251 Sold HKD 1 500 @ 0.1676	22-Jan-2019	(10)
Bought CAD 101 Sold ZAR 1 100 @ 0.0916	22-Jan-2019	(3)
Bought CAD 70 Sold ZAR 750 @ 0.0933	22-Jan-2019	(1)
Bought CAD 758 Sold JPY 65 000 @ 0.0117	22-Jan-2019	(52)

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



December 31, 2018

SCHEDULE A (cont.)

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought ZAR 1 000 Sold CAD 96 @ 10.4459	22-Jan-2019	\$ (1)
Bought CAD 3 354 Sold USD 2 602 @ 1.2891	23-Jan-2019	(196)
Bought CAD 6 607 Sold JPY 562 361 @ 0.0117	23-Jan-2019	(406)
Bought CAD 584 Sold JPY 50 000 @ 0.0117	23-Jan-2019	(39)
Bought CAD 196 Sold USD 150 @ 1.3084	23-Jan-2019	(8)
Bought CAD 697 Sold JPY 60 000 @ 0.0116	23-Jan-2019	(51)
Bought CAD 586 Sold JPY 50 000 @ 0.0117	23-Jan-2019	(37)
Bought CAD 246 Sold JPY 20 900 @ 0.0118	23-Jan-2019	(14)
Bought CAD 7 382 Sold EUR 4 896 @ 1.5078	24-Jan-2019	(287)
Bought CAD 4 362 Sold INR 248 695 @ 0.0175	24-Jan-2019	(502)
Bought CAD 3 425 Sold USD 2 639 @ 1.2978	24-Jan-2019	(176)
Bought CAD 691 Sold EUR 460 @ 1.5023	24-Jan-2019	(29)
Bought CAD 365 Sold USD 275 @ 1.3262	24-Jan-2019	(10)
Bought CAD 95 Sold INR 5 000 @ 0.0189	24-Jan-2019	(3)
Bought CAD 130 Sold INR 7 000 @ 0.0186	24-Jan-2019	(6)
Bought CAD 4 866 Sold EUR 3 171 @ 1.5346	24-Jan-2019	(101)
Bought CAD 308 Sold EUR 200 @ 1.5387	24-Jan-2019	(6)
Bought CAD 14 318 Sold GBP 8 361 @ 1.7124	31-Jan-2019	(242)
Bought CAD 8 693 Sold EUR 5 729 @ 1.5174	31-Jan-2019	(284)
Bought CAD 244 Sold EUR 160 @ 1.5219	31-Jan-2019	(7)
Bought CAD 1 633 Sold GBP 958 @ 1.7047	31-Jan-2019	(35)
Bought CAD 264 Sold CHF 200 @ 1.3187	04-Feb-2019	(15)
Bought CAD 13 073 Sold JPY 1 120 674 @ 0.0117	12-Feb-2019	(918)
Bought CAD 1 184 Sold JPY 100 000 @ 0.0118	12-Feb-2019	(65)
Bought CAD 882 Sold JPY 75 000 @ 0.0118	12-Feb-2019	(54)
Bought CAD 713 Sold CHF 528 @ 1.3497	13-Feb-2019	(23)
Bought CAD 979 Sold HKD 5 808 @ 0.1685	14-Feb-2019	(34)
Bought CAD 439 Sold DKK 2 180 @ 0.2016	15-Feb-2019	(19)
Bought CAD 815 Sold DKK 4 000 @ 0.2037	15-Feb-2019	(26)
Bought CAD 4 248 Sold DKK 21 029 @ 0.2020	22-Feb-2019	(172)
Bought CAD 329 Sold GBP 195 @ 1.6891	22-Feb-2019	(10)
Bought CAD 2 128 Sold SEK 14 274 @ 0.1491	25-Feb-2019	(77)
Bought CAD 1 296 Sold SEK 8 700 @ 0.1490	25-Feb-2019	(48)
Bought CAD 4 387 Sold CHF 3 272 @ 1.3408	26-Feb-2019	(175)
Bought CAD 3 391 Sold HKD 19 935 @ 0.1701	26-Feb-2019	(86)
Bought CAD 67 Sold HKD 390 @ 0.1707	26-Feb-2019	(1)
Bought CAD 4 183 Sold USD 3 159 @ 1.3242	05-Mar-2019	(123)
Bought CAD 1 777 Sold DKK 8 685 @ 0.2046	05-Mar-2019	(50)
Bought CAD 4 304 Sold GBP 2 504 @ 1.7190	06-Mar-2019	(60)
Bought CAD 1 220 Sold ZAR 13 053 @ 0.0935	06-Mar-2019	(7)
Bought CAD 928 Sold THB 22 700 @ 0.0409	07-Mar-2019	(24)
Bought CAD 1 737 Sold HKD 10 159 @ 0.1710	07-Mar-2019	(35)
Bought CAD 6 297 Sold CHF 4 715 @ 1.3354	08-Mar-2019	(282)
Bought CAD 7 228 Sold GBP 4 275 @ 1.6908	12-Mar-2019	(224)
Bought CAD 3 745 Sold JPY 314 219 @ 0.0119	12-Mar-2019	(184)
Bought CAD 1 087 Sold DKK 5 298 @ 0.2052	15-Mar-2019	(28)
Bought CAD 69 Sold DKK 337 @ 0.2046	15-Mar-2019	(2)
Bought CAD 14 890 Sold GBP 8 839 @ 1.6846	19-Mar-2019	(520)
Bought CAD 6 579 Sold EUR 4 311 @ 1.5260	21-Mar-2019	(199)
		\$ (7 434)
TOTAL FOREIGN EXCHANGE		\$ (6 730)

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 159 735	\$ 192 650
Cash	214	196
Subscriptions receivable	126	51
Unrealized gain on foreign exchange contracts	704	1 408
TOTAL ASSETS	160 779	194 305
LIABILITIES		
Redemptions payable	42	10
Unrealized loss on foreign exchange contracts	7 434	2 575
Accounts payable and accrued expenses	34	31
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	7 510	2 616
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 153 269	\$ 191 689
Investments at cost	\$ 131 333	\$ 138 356
NAV		
SERIES A	\$ 1 025	\$ 818
ADVISOR SERIES	\$ 1 409	\$ 1 491
SERIES D	\$ 8 974	\$ 14 618
SERIES F	\$ 20 272	\$ 9 589
SERIES O	\$ 121 589	\$ 165 173
NAV PER UNIT		
SERIES A	\$ 10.08	\$ 11.69
ADVISOR SERIES	\$ 10.08	\$ 11.69
SERIES D	\$ 9.81	\$ 11.38
SERIES F	\$ 9.91	\$ 11.49
SERIES O	\$ 9.93	\$ 11.53

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ –	\$ (2)
Income from investment trusts	3 817	3 955
Derivative income	(2 176)	2 218
Net realized gain (loss) on investments	8 625	7 038
Change in unrealized gain (loss) on investments	(31 455)	29 943
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(21 189)	43 152
TOTAL INCOME (LOSS)	(21 189)	43 152
EXPENSES (see notes – Fund Specific Information)		
Management fees	304	214
Administration fees	79	202
Independent Review Committee costs	2	3
GST/HST	39	37
TOTAL EXPENSES	424	456
INCREASE (DECREASE) IN NAV	\$ (21 613)	\$ 42 696
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (221)	\$ 137
ADVISOR SERIES	\$ (266)	\$ 331
SERIES D	\$ (1 376)	\$ 3 382
SERIES F	\$ (3 477)	\$ 814
SERIES O	\$ (16 273)	\$ 38 032
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (1.68)	\$ 2.30
ADVISOR SERIES	\$ (1.67)	\$ 2.30
SERIES D	\$ (1.32)	\$ 2.33
SERIES F	\$ (2.24)	\$ 2.30
SERIES O	\$ (1.22)	\$ 2.50



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (21 613)	\$ 42 696
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(3 817)	(3 955)
Net realized loss (gain) on investments	(8 625)	(7 038)
Change in unrealized loss (gain) on investments	31 455	(29 943)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	3	(7)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(14 075)	(14 390)
Proceeds from sale and maturity of investments	33 540	28 443
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	16 868	15 806
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	20 601	24 355
Cash paid on redemption of redeemable units	(35 474)	(38 192)
Distributions paid to holders of redeemable units	(1 977)	(2 225)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (16 850)	\$ (16 062)
Net increase (decrease) in cash for the period	18	(256)
Cash (bank overdraft), beginning of period	196	452
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 214	\$ 196
Interest received (paid)	\$ —	\$ (2)
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 818	\$ 570	\$ 1 491	\$ 1 675	\$ 14 618	\$ 13 610	\$ 9 589	\$ 2 956
INCREASE (DECREASE) IN NAV	(221)	137	(266)	331	(1 376)	3 382	(3 477)	814
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	952	245	845	253	1 128	2 286	22 367	8 009
Reinvestments of distributions to holders of redeemable units	3	—	3	—	88	100	248	19
Redemption of redeemable units	(524)	(134)	(660)	(768)	(5 379)	(4 641)	(8 182)	(2 115)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	431	111	188	(515)	(4 163)	(2 255)	14 433	5 913
Distributions from net income	(3)	—	(4)	—	(105)	(119)	(273)	(94)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3)	—	(4)	—	(105)	(119)	(273)	(94)
NET INCREASE (DECREASE) IN NAV	207	248	(82)	(184)	(5 644)	1 008	10 683	6 633
NAV AT END OF PERIOD	\$ 1 025	\$ 818	\$ 1 409	\$ 1 491	\$ 8 974	\$ 14 618	\$ 20 272	\$ 9 589

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 165 173	\$ 146 277	\$ 191 689	\$ 165 088
INCREASE (DECREASE) IN NAV	(16 273)	38 032	(21 613)	42 696
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	12 407	14 322	37 699	25 115
Reinvestments of distributions to holders of redeemable units	1 063	1 140	1 405	1 259
Redemption of redeemable units	(37 784)	(31 327)	(52 529)	(38 985)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(24 314)	(15 865)	(13 425)	(12 611)
Distributions from net income	(2 997)	(3 271)	(3 382)	(3 484)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 997)	(3 271)	(3 382)	(3 484)
NET INCREASE (DECREASE) IN NAV	(43 584)	18 896	(38 420)	26 601
NAV AT END OF PERIOD	\$ 121 589	\$ 165 173	\$ 153 269	\$ 191 689

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth primarily through exposure to a diversified portfolio of companies located in countries outside North America, including countries in Europe, the Far East (including Japan), and Australia, while minimizing fluctuations in the value of foreign currencies relative to the Canadian dollar.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests in the Phillips, Hager & North Overseas Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Europe ex-United Kingdom Equities	37.6	37.1
Pacific Rim ex-Japan Equities	28.4	20.0
United Kingdom Equities	19.2	19.5
Japan Equities	15.4	18.1
Middle East & Africa Equities	2.3	4.6
Cash/Other	(2.9)	0.7
Total	100.0	100.0

Currency risk (% of NAV)

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

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
MSCI EAFE Total Return Net Index (hedged to CAD)	+ or - 0.9	+ or - 0.9

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

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	159 735	—	—	159 735
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	704	—	704
Derivatives – liabilities	—	(7 434)	—	(7 434)
Total financial instruments	159 735	(6 730)	—	153 005
% of total portfolio	104.4	(4.4)	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	192 650	—	—	192 650
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	1 408	—	1 408
Derivatives – liabilities	—	(2 575)	—	(2 575)
Total financial instruments	192 650	(1 167)	—	191 483
% of total portfolio	100.6	(0.6)	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees*
Series A	1.75%	0.15%
Advisor Series	1.75%	0.15%
Series D	1.00%	0.15%
Series F	0.75%	0.15%
Series O	n/a [†]	0.02%

* Effective October 2, 2017, the administration fees for Series O units were reduced to 0.02% from 0.14%.

[†] Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series A	66	66
Advisor Series	130	130
Series D	73	72
Series F	74	73
Series O	80	78
Value of all units	4	5

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Overseas Equity Fund	104.2	13.1	100.5	15.9

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	4 208
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	70	61
Issued number of units	80	22
Reinvested number of units	—	—
Redeemed number of units	(48)	(13)
Ending number of units	102	70
Advisor Series		
Opening units	128	178
Issued number of units	73	25
Reinvested number of units	—	—
Redeemed number of units	(61)	(75)
Ending number of units	140	128

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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	1 285	1 490
Issued number of units	99	217
Reinvested number of units	9	9
Redeemed number of units	(478)	(431)
Ending number of units	915	1 285
Series F		
Opening units	835	321
Issued number of units	1 949	719
Reinvested number of units	25	2
Redeemed number of units	(763)	(207)
Ending number of units	2 046	835
Series O		
Opening units	14 326	15 799
Issued number of units	1 114	1 411
Reinvested number of units	108	99
Redeemed number of units	(3 303)	(2 983)
Ending number of units	12 245	14 326

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. "Net amount" represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	704	(7 434)
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	704	(7 434)
Related amounts not set-off	(704)	704
Collateral (received) pledged	—	—
Net amount	—	(6 730)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	1 408	(2 575)
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	1 408	(2 575)
Related amounts not set-off	(1 325)	1 325
Collateral (received) pledged	—	—
Net amount	83	(1 250)



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
GLOBAL EQUITIES				
Belgium				
171 478	Anheuser-Busch InBev S.A./N.V.	\$ 21 187	\$ 15 422	
		21 187	15 422	2.9
Germany				
549 330	Deutsche Post AG	23 801	20 481	
		23 801	20 481	3.9
Hong Kong				
1 034 435	AIA Group Ltd.	10 272	11 731	
		10 272	11 731	2.2
India				
117 224	HDFC Bank Ltd. ADR	12 198	16 571	
		12 198	16 571	3.1
Ireland				
81 592	Paddy Power Betfair Plc.	11 393	9 098	
		11 393	9 098	1.7
Japan				
312 557	MISUMI Group Inc.	10 618	8 990	
102 017	Nidec Corp.	16 540	15 759	
		27 158	24 749	4.7
Netherlands				
373 302	Unilever N.V.	27 084	27 608	
		27 084	27 608	5.2
South Africa				
42 868	Naspers Ltd.	10 446	11 717	
		10 446	11 717	2.2
Switzerland				
90 252	Roche Holdings AG Genusscheine	28 745	30 588	
		28 745	30 588	5.8
Taiwan				
218 986	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	9 576	11 030	
		9 576	11 030	2.1
United Kingdom				
145 728	Croda International Plc.	11 542	11 882	
160 051	InterContinental Hotels Group Plc.	11 366	11 819	
469 693	St. James's Place Plc.	8 239	7 723	
		31 147	31 424	6.0

Holdings	Security	Cost	Fair Value	% of Net Assets
United States				
13 036	Alphabet Inc., Class A	\$ 16 206	\$ 18 613	
8 148	Amazon.com, Inc.	12 168	16 707	
138 200	American Water Works Co. Inc.	17 098	17 126	
351 024	Blackstone Group LP	14 347	14 285	
84 578	Citigroup Inc.	6 974	6 009	
232 929	Danaher Corp.	28 638	32 792	
182 788	EOG Resources Inc.	24 264	21 763	
101 718	Estée Lauder Companies Inc., Class A	14 819	18 066	
221 499	First Republic Bank	24 317	26 291	
250 952	Fortive Corp.	21 677	23 180	
98 865	Gartner Inc.	16 032	17 255	
78 400	Incyte Corporation Ltd.	7 777	6 806	
49 900	MarketAxess Holdings Inc.	12 815	14 395	
136 500	Microsoft Corp.	16 227	18 945	
50 900	SVB Financial Group	15 066	13 197	
354 232	TJX Companies Inc.	18 590	21 636	
88 550	UnitedHealth Group Incorporated	22 535	30 122	
		289 550	317 188	60.1
TOTAL GLOBAL EQUITIES		502 557	527 607	99.9
SHORT-TERM INVESTMENTS*		1 598	1 598	0.3
TOTAL INVESTMENTS		<u>\$ 504 155</u>	529 205	100.2
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS				
OF REDEEMABLE UNITS				
			(1 192)	(0.2)
NET ASSETS ATTRIBUTABLE TO HOLDERS				
OF REDEEMABLE UNITS				
			<u>\$ 528 013</u>	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 2.21% and mature on January 14, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 529 205	\$ 250 781
Cash	197	260
Subscriptions receivable	1 046	687
Dividends receivable, interest accrued and other assets	44	60
TOTAL ASSETS	530 492	251 788
LIABILITIES		
Due to investment dealers	–	100
Redemptions payable	2 120	94
Accounts payable and accrued expenses	359	126
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2 479	320
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 528 013	\$ 251 468
Investments at cost	\$ 504 155	\$ 200 116
NAV		
SERIES A	\$ 30 628	\$ 10 179
ADVISOR SERIES	\$ 57 190	\$ 6 386
SERIES D	\$ 102 140	\$ 82 019
SERIES F	\$ 123 877	\$ 16 903
SERIES O	\$ 214 178	\$ 135 981
NAV PER UNIT		
SERIES A	\$ 17.84	\$ 17.85
ADVISOR SERIES	\$ 17.84	\$ 17.84
SERIES D	\$ 18.50	\$ 18.35
SERIES F	\$ 18.76	\$ 18.59
SERIES O	\$ 19.01	\$ 18.83

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 5 813	\$ 3 513
Interest for distribution purposes	114	28
Derivative income	22	8
Net realized gain (loss) on investments	11 347	12 598
Change in unrealized gain (loss) on investments	(25 615)	32 701
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(8 319)	48 848
Other income (loss)	17	–
Securities lending revenue (see note 7 in the generic notes)	141	19
Net gain (loss) on foreign cash balances	(160)	(401)
TOTAL OTHER INCOME (LOSS)	(2)	(382)
TOTAL INCOME (LOSS)	(8 321)	48 466
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 485	948
Administration fees	260	145
Independent Review Committee costs	2	3
GST/HST	268	97
Transaction costs	423	319
Withholding tax	714	385
TOTAL EXPENSES	4 152	1 897
INCREASE (DECREASE) IN NAV	\$ (12 473)	\$ 46 569
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (1 456)	\$ 1 718
ADVISOR SERIES	\$ (3 578)	\$ 866
SERIES D	\$ (386)	\$ 14 551
SERIES F	\$ (7 333)	\$ 2 342
SERIES O	\$ 280	\$ 27 092
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (1.39)	\$ 3.45
ADVISOR SERIES	\$ (1.96)	\$ 3.35
SERIES D	\$ (0.07)	\$ 3.72
SERIES F	\$ (2.21)	\$ 3.66
SERIES O	\$ 0.03	\$ 3.99

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



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (12 473)	\$ 46 569
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(11 160)	(12 391)
Change in unrealized loss (gain) on investments	25 615	(32 701)
(Increase) decrease in accrued receivables	16	17
Increase (decrease) in accrued payables	233	45
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(636 551)	(194 157)
Proceeds from sale and maturity of investments	343 572	147 899
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(290 748)	(44 719)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	374 386	65 954
Cash paid on redemption of redeemable units	(82 301)	(20 083)
Distributions paid to holders of redeemable units	(1 400)	(1 215)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 290 685	\$ 44 656
Net increase (decrease) in cash for the period	(63)	(63)
Cash (bank overdraft), beginning of period	260	323
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 197	\$ 260
Interest received (paid)	\$ 115	\$ 26
Dividends received, net of withholding taxes	\$ 5 130	\$ 3 148

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 10 179	\$ 6 953	\$ 6 386	\$ 3 353	\$ 82 019	\$ 52 931	\$ 16 903	\$ 7 292
INCREASE (DECREASE) IN NAV	(1 456)	1 718	(3 578)	866	(386)	14 551	(7 333)	2 342
Early redemption fees	—	—	—	—	1	—	(2)	—
Proceeds from redeemable units issued	25 326	2 988	59 924	3 259	44 750	20 547	134 432	9 722
Reinvestments of distributions to holders of redeemable units	—	—	—	—	27	161	165	64
Redemption of redeemable units	(3 421)	(1 480)	(5 542)	(1 092)	(24 243)	(6 007)	(20 085)	(2 443)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	21 905	1 508	54 382	2 167	20 535	14 701	114 510	7 343
Distributions from net income	—	—	—	—	(28)	(164)	(203)	(74)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	(28)	(164)	(203)	(74)
NET INCREASE (DECREASE) IN NAV	20 449	3 226	50 804	3 033	20 121	29 088	106 974	9 611
NAV AT END OF PERIOD	\$ 30 628	\$ 10 179	\$ 57 190	\$ 6 386	\$ 102 140	\$ 82 019	\$ 123 877	\$ 16 903

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 135 981	\$ 89 103	\$ 251 468	\$ 159 632
INCREASE (DECREASE) IN NAV	280	27 092	(12 473)	46 569
Early redemption fees	—	—	(1)	—
Proceeds from redeemable units issued	113 531	30 918	377 963	67 434
Reinvestments of distributions to holders of redeemable units	876	657	1 068	882
Redemption of redeemable units	(34 253)	(9 930)	(87 544)	(20 952)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	80 154	21 645	291 486	47 364
Distributions from net income	(2 237)	(1 859)	(2 468)	(2 097)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 237)	(1 859)	(2 468)	(2 097)
NET INCREASE (DECREASE) IN NAV	78 197	46 878	276 545	91 836
NAV AT END OF PERIOD	\$ 214 178	\$ 135 981	\$ 528 013	\$ 251 468

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, the Far East (including Japan), and Australia.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
United States Equities	60.1	56.6
Europe ex-United Kingdom Equities	19.5	17.0
Pacific Rim ex-Japan Equities	7.4	9.8
United Kingdom Equities	6.0	6.7
Japan Equities	4.7	4.3
Middle East and Africa Equities	2.2	3.0
Cash/Other	0.1	2.6
Total	100.0	100.0

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018	December 31 2017
Currency		
United States dollar	65.1	63.9
Euro	12.0	9.6
Pound sterling	7.6	9.6
Swiss franc	5.8	4.6
Japanese yen	4.7	4.3
Hong Kong dollar	2.2	2.5
South African rand	2.2	3.0
Total	99.6	97.5

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2017 – 4.9%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
MSCI World Total Return Net Index (CAD)	+ or - 1.2	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	344 789	182 818	–	527 607
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 598	–	1 598
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	344 789	184 416	–	529 205
% of total portfolio	65.2	34.8	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	160 376	84 385	–	244 761
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	6 020	–	6 020
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	160 376	90 405	–	250 781
% of total portfolio	64.0	36.0	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2018

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees*
Series A	1.75%	0.10%
Advisor Series	1.75%	0.10%
Series D	1.00%	0.10%
Series F	0.75%	0.10%
Series O	n/a [†]	0.02%

* Effective October 2, 2017, the administration fees for Series O units were reduced to 0.02% from 0.06%.

[†] Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series A	67	67
Advisor Series	130	130
Series D	69	69
Series F	70	70
Series O	74	74
Value of all units	8	7

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	49 903
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series A		
Opening units	570	484
Issued number of units	1 328	179
Reinvested number of units	—	—
Redeemed number of units	(181)	(93)
Ending number of units	1 717	570

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Advisor Series		
Opening units	358	233
Issued number of units	3 143	192
Reinvested number of units	—	—
Redeemed number of units	(296)	(67)
Ending number of units	3 205	358
Series D		
Opening units	4 470	3 609
Issued number of units	2 288	1 218
Reinvested number of units	2	9
Redeemed number of units	(1 238)	(366)
Ending number of units	5 522	4 470
Series F		
Opening units	909	491
Issued number of units	6 716	563
Reinvested number of units	9	3
Redeemed number of units	(1 031)	(148)
Ending number of units	6 603	909
Series O		
Opening units	7 220	5 917
Issued number of units	5 737	1 853
Reinvested number of units	47	34
Redeemed number of units	(1 740)	(584)
Ending number of units	11 264	7 220

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	423	100	319	100
Related-party brokerage commissions*	—	—	—	—
Commission arrangements [†]	—	—	—	—

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	50 062	18 340
Fair value of collateral received	51 064	18 707

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



December 31, 2018

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	191	100	30	100
RBC IS (paid)	(47)	(25)	(8)	(28)
Tax withheld	(3)	(2)	(3)	(10)
Fund revenue	141	73	19	62

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2015 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
245 037	Phillips, Hager & North Bond Fund*	\$ 2 551	\$ 2 460	
43 469	Phillips, Hager & North Canadian Equity Underlying Fund*	481	453	
4 226	Phillips, Hager & North Canadian Money Market Fund*	42	42	
39 322	Phillips, Hager & North Conservative Equity Income Fund*	429	438	
253 005	Phillips, Hager & North Inflation-Linked Bond Fund*	2 286	2 208	
76 049	RBC QUBE Low Volatility Global Equity Fund*	1 290	1 414	
2 049	Vanguard Real Estate ETF	178	209	
TOTAL UNDERLYING FUNDS		\$ 7 257	7 224	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				100.0

* Investment in related party (see note 8 in the generic notes).



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 7 224	\$ 7 991
Cash	38	—
Due from investment dealers	—	76
Subscriptions receivable	4	2
TOTAL ASSETS	7 266	8 069
LIABILITIES		
Bank overdraft	—	20
Redemptions payable	21	—
Distributions payable	12	7
Accounts payable and accrued expenses	4	5
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	37	32
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 7 229	\$ 8 037
Investments at cost	\$ 7 257	\$ 7 718
NAV		
SERIES D	\$ 4 034	\$ 4 504
SERIES F	\$ 1	\$ —
SERIES O	\$ 3 194	\$ 3 533
NAV PER UNIT		
SERIES D	\$ 9.82	\$ 10.28
SERIES F	\$ 9.29	\$ —
SERIES O	\$ 9.76	\$ 10.23

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ —	\$ (1)
Income from investment trusts	287	289
Net realized gain (loss) on investments	85	99
Change in unrealized gain (loss) on investments	(306)	(21)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	66	366
Net gain (loss) on foreign cash balances	1	—
TOTAL OTHER INCOME (LOSS)	1	—
TOTAL INCOME (LOSS)	67	366
EXPENSES (see notes – Fund Specific Information)		
Management fees	30	38
Administration fees	4	3
Independent Review Committee costs	2	3
GST/HST	3	4
Withholding tax	1	1
Expenses reimbursed by manager	(2)	(3)
TOTAL EXPENSES	38	46
INCREASE (DECREASE) IN NAV	\$ 29	\$ 320
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (2)	\$ 178
SERIES F	\$ (1)	\$ —
SERIES O	\$ 32	\$ 142
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ —	\$ 0.39
SERIES F	\$ (0.24)	\$ —
SERIES O	\$ 0.09	\$ 0.46



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 29	\$ 320
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(277)	(289)
Net realized loss (gain) on investments	(85)	(99)
Change in unrealized loss (gain) on investments	306	21
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(1)	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(2 661)	(1 623)
Proceeds from sale and maturity of investments	3 560	3 533
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	871	1 864
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 605	1 319
Cash paid on redemption of redeemable units	(2 411)	(3 284)
Distributions paid to holders of redeemable units	(7)	(6)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (813)	\$ (1 971)
Net increase (decrease) in cash for the period	58	(107)
Cash (bank overdraft), beginning of period	(20)	87
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 38	\$ (20)
Interest received (paid)	\$ —	\$ (1)
Dividends received, net of withholding taxes	\$ —	\$ (1)

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 4 504	\$ 6 306	\$ —	\$ —	\$ 3 533	\$ 3 381	\$ 8 037	\$ 9 687
INCREASE (DECREASE) IN NAV	(2)	178	(1)	—	32	142	29	320
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	702	399	2	—	903	921	1 607	1 320
Reinvestments of distributions to holders of redeemable units	174	485	—	—	173	415	347	900
Redemption of redeemable units	(1 159)	(2 371)	—	—	(1 273)	(911)	(2 432)	(3 282)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(283)	(1 487)	2	—	(197)	425	(478)	(1 062)
Distributions from net income	(98)	(100)	—	—	(105)	(86)	(203)	(186)
Distributions from net gains	(87)	(106)	—	—	(69)	(82)	(156)	(188)
Distributions from capital	—	(287)	—	—	—	(247)	—	(534)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(185)	(493)	—	—	(174)	(415)	(359)	(908)
NET INCREASE (DECREASE) IN NAV	(470)	(1 802)	1	—	(339)	152	(808)	(1 650)
NAV AT END OF PERIOD	\$ 4 034	\$ 4 504	\$ 1	\$ —	\$ 3 194	\$ 3 533	\$ 7 229	\$ 8 037

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2015.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 64.6% (December 31, 2017 – 62.9%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	50.2	62.8
AA	32.1	24.3
A	9.7	7.8
BBB	7.5	4.6
BB	0.2	0.2
Unrated	0.3	0.3
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	62.2	61.7
Global Equities	19.5	12.3
Canadian Equities	12.2	19.5
United States Equities	2.9	3.9
Cash/Other	3.2	2.6
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 64.5% (December 31, 2017 – 62.9%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	1.8	1.4
1 – 5 years	29.9	30.6
5 – 10 years	13.4	15.5
> 10 years	54.9	52.5
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.0% (December 31, 2017 – 7.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	14.2	14.6
Japanese yen	2.6	2.7
Euro	1.3	1.6
Swiss franc	1.0	1.0
Hong Kong dollar	0.8	0.7
Other currencies	1.0	1.2
Total	20.9	21.8

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.0% (December 31, 2017 – 1.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.2	+ or - 0.2

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



December 31, 2018

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	7 224	–	–	7 224
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	7 224	–	–	7 224
% of total portfolio	100.0	–	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	7 991	–	–	7 991
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	7 991	–	–	7 991
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	0.75%	0.05%
Series F	0.50%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series D	76	73
Series F	158	–
Series O	69	66
Value of all units	3	1

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Bond Fund	34.0	–	30.9	–
Phillips, Hager & North Canadian Equity Underlying Fund	6.3	–	6.3	–
Phillips, Hager & North Canadian Money Market Fund	0.6	–	0.5	–
Phillips, Hager & North Conservative Equity Income Fund	6.1	–	6.3	–
Phillips, Hager & North Inflation-Linked Bond Fund	30.5	2.0	32.0	2.8
RBC QUBE Low Volatility Global Equity Fund	19.6	0.1	19.5	0.2

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	2.9	–	3.8	–

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.



December 31, 2018

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	438	565
Issued number of units	67	36
Reinvested number of units	18	47
Redeemed number of units	(112)	(210)
Ending number of units	411	438

Series F		
Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–

Series O		
Opening units	345	304
Issued number of units	88	81
Reinvested number of units	18	41
Redeemed number of units	(124)	(81)
Ending number of units	327	345

Revision of comparative information

Certain comparative figures were revised. The “Investments at cost” amount in the Statements of Financial Position was revised to reflect the cost adjustment for return of capital. As a result, amounts in “Income from investment trusts” were reclassified to “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. Correspondingly, related amounts in “Change in unrealized loss (gain) on investments” were reclassified to “Non-cash distributions from underlying funds” in the Statements of Cash Flow. The net impact on “NAV,” “NAV per unit” and “Net cash provided by (used in) operating activities” is nil.



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH LIFETIME 2020 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
209 694	Phillips, Hager & North Bond Fund*	\$ 2 123	\$ 2 105	
174 659	Phillips, Hager & North Canadian Equity Underlying Fund*	1 937	1 819	
15 285	Phillips, Hager & North Canadian Money Market Fund*	153	153	
158 292	Phillips, Hager & North Conservative Equity Income Fund*	1 740	1 763	
78 473	Phillips, Hager & North High Yield Bond Fund*	891	861	
1 619 641	Phillips, Hager & North Inflation-Linked Bond Fund*	14 699	14 137	
18 236	RBC Emerging Markets Equity Fund*	268	304	
44 508	RBC Global Equity Focus Fund*	590	695	
23 201	RBC QUBE Global Equity Fund*	279	235	
304 170	RBC QUBE Low Volatility Global Equity Fund*	5 180	5 657	
18 566	RBC U.S. Mid-Cap Value Equity Fund*	243	215	
5 692	RBC U.S. Small-Cap Value Equity Fund*	69	63	
11 003	Vanguard Real Estate ETF	1 001	1 120	
TOTAL UNDERLYING FUNDS		29 173	29 127	99.5
SHORT-TERM INVESTMENTS†		139	139	0.5
TOTAL INVESTMENTS		\$ 29 312	29 266	100.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			2	—
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 29 268	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.70% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 29 266	\$ 29 261
Cash	13	—
Due from investment dealers	—	200
Subscriptions receivable	10	16
TOTAL ASSETS	29 289	29 477
LIABILITIES		
Bank overdraft	—	66
Redemptions payable	9	19
Accounts payable and accrued expenses	12	15
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	21	100
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 29 268	\$ 29 377
Investments at cost	\$ 29 312	\$ 27 856
NAV		
SERIES D	\$ 15 412	\$ 15 940
SERIES F	\$ 1	\$ —
SERIES O	\$ 13 855	\$ 13 437
NAV PER UNIT		
SERIES D	\$ 10.79	\$ 11.30
SERIES F	\$ 9.20	\$ —
SERIES O	\$ 10.68	\$ 11.19

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 1	\$ 1
Income from investment trusts	1 236	1 146
Net realized gain (loss) on investments	363	418
Change in unrealized gain (loss) on investments	(1 451)	131
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	149	1 696
Net gain (loss) on foreign cash balances	1	—
TOTAL OTHER INCOME (LOSS)	1	—
TOTAL INCOME (LOSS)	150	1 696
EXPENSES (see notes – Fund Specific Information)		
Management fees	121	147
Administration fees	14	17
Independent Review Committee costs	2	3
GST/HST	14	15
Withholding tax	5	4
Expenses reimbursed by manager	(1)	(3)
TOTAL EXPENSES	155	183
INCREASE (DECREASE) IN NAV	\$ (5)	\$ 1 513
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (49)	\$ 818
SERIES F	\$ (1)	\$ —
SERIES O	\$ 45	\$ 695
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ (0.04)	\$ 0.56
SERIES F	\$ (0.36)	\$ —
SERIES O	\$ 0.04	\$ 0.70



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (5)	\$ 1 513
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(1 185)	(1 146)
Net realized loss (gain) on investments	(363)	(418)
Change in unrealized loss (gain) on investments	1 451	(131)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(3)	(1)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(35 002)	(36 650)
Proceeds from sale and maturity of investments	35 294	41 590
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	187	4 757
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	6 425	6 771
Cash paid on redemption of redeemable units	(6 515)	(11 586)
Distributions paid to holders of redeemable units	(18)	(66)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (108)	\$ (4 881)
Net increase (decrease) in cash for the period	79	(124)
Cash (bank overdraft), beginning of period	(66)	58
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 13	\$ (66)
Interest received (paid)	\$ 1	\$ 1
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 15 940	\$ 21 368	\$ —	\$ —	\$ 13 437	\$ 11 406	\$ 29 377	\$ 32 774
INCREASE (DECREASE) IN NAV	(49)	818	(1)	—	45	695	(5)	1 513
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	3 527	3 508	2	—	2 890	3 227	6 419	6 735
Reinvestments of distributions to holders of redeemable units	618	2 139	—	—	684	1 880	1 302	4 019
Redemption of redeemable units	(3 988)	(9 707)	—	—	(2 517)	(1 891)	(6 505)	(11 598)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	157	(4 060)	2	—	1 057	3 216	1 216	(844)
Distributions from net income	(377)	(334)	—	—	(453)	(289)	(830)	(623)
Distributions from net gains	(259)	(131)	—	—	(231)	(105)	(490)	(236)
Distributions from capital	—	(1 721)	—	—	—	(1 486)	—	(3 207)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(636)	(2 186)	—	—	(684)	(1 880)	(1 320)	(4 066)
NET INCREASE (DECREASE) IN NAV	(528)	(5 428)	1	—	418	2 031	(109)	(3 397)
NAV AT END OF PERIOD	\$ 15 412	\$ 15 940	\$ 1	\$ —	\$ 13 855	\$ 13 437	\$ 29 268	\$ 29 377

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2020.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 58.4% (December 31, 2017 – 56.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	65.5	76.0
AA	25.3	18.8
A	2.3	–
BBB	2.5	0.5
BB	1.8	2.2
B	2.5	1.8
CCC	–	0.7
Unrated	0.1	–
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	57.3	55.6
Global Equities	23.5	24.7
Canadian Equities	12.1	12.6
United States Equities	4.8	5.4
Cash/Other	2.3	1.7
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 58.4% (December 31, 2017 – 56.2%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	0.6	0.1
1 – 5 years	26.3	25.8
5 – 10 years	5.1	4.2
> 10 years	68.0	69.9
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.7% (December 31, 2017 – 8.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	18.1	18.5
Japanese yen	2.7	2.7
Euro	1.6	2.0
Swiss franc	1.2	1.1
Hong Kong dollar	1.1	1.1
Pound sterling	0.5	0.8
Other currencies	1.6	2.5
Total	26.8	28.7

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.3% (December 31, 2017 – 1.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.3	+ or - 0.3

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

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



December 31, 2018

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	29 127	–	–	29 127
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	139	–	139
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	29 127	139	–	29 266
% of total portfolio	99.5	0.5	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	29 261	–	–	29 261
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	29 261	–	–	29 261
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	0.80%	0.05%
Series F	0.55%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series D	73	70
Series F	157	–
Series O	66	63
Value of all units	3	2

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Bond Fund	7.2	–	–	–
Phillips, Hager & North Canadian Equity Underlying Fund	6.2	0.1	6.5	0.1
Phillips, Hager & North Canadian Equity Value Fund	–	–	0.5	–
Phillips, Hager & North Canadian Money Market Fund	0.5	–	0.5	–
Phillips, Hager & North Conservative Equity Income Fund	6.0	0.1	5.8	0.1
Phillips, Hager & North High Yield Bond Fund	2.9	–	3.0	–
Phillips, Hager & North Inflation-Linked Bond Fund	48.3	12.8	53.0	16.7
RBC Emerging Markets Equity Fund	1.0	–	2.1	–
RBC Global Equity Focus Fund	2.4	–	3.6	–
RBC QUBE Global Equity Fund	0.8	0.1	1.2	0.1
RBC QUBE Low Volatility Global Equity Fund	19.3	0.5	18.0	0.5
RBC U.S. Mid-Cap Value Equity Fund	0.7	–	1.1	0.1
RBC U.S. Small-Cap Value Equity Fund	0.2	0.1	0.4	0.2

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



December 31, 2018

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	3.8	—	3.9	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	1 410	1 720
Issued number of units	311	280
Reinvested number of units	58	189
Redeemed number of units	(351)	(779)
Ending number of units	1 428	1 410
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	1 201	925
Issued number of units	254	258
Reinvested number of units	65	168
Redeemed number of units	(223)	(150)
Ending number of units	1 297	1 201

Revision of comparative information

Certain comparative figures were revised. The "Investments at cost" amount in the Statements of Financial Position was revised to reflect the cost adjustment for return of capital. As a result, amounts in "Income from investment trusts" were reclassified to "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. Correspondingly, related amounts in "Change in unrealized loss (gain) on investments" were reclassified to "Non-cash distributions from underlying funds" in the Statements of Cash Flow. The net impact on "NAV," "NAV per unit" and "Net cash provided by (used in) operating activities" is nil.

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2025 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
260 000	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 2 892	\$ 2 707	
77 478	Phillips, Hager & North Canadian Equity Value Fund*	1 025	1 002	
18 704	Phillips, Hager & North Canadian Money Market Fund*	187	187	
153 088	Phillips, Hager & North Conservative Equity Income Fund*	1 737	1 705	
114 076	Phillips, Hager & North High Yield Bond Fund*	1 299	1 253	
1 381 419	Phillips, Hager & North Inflation-Linked Bond Fund*	12 613	12 058	
763 135	Phillips, Hager & North Long Inflation-linked Bond Fund*	8 692	8 312	
91 428	RBC Emerging Markets Equity Fund*	1 386	1 522	
199 223	RBC Global Equity Focus Fund*	2 733	3 112	
97 110	RBC QUBE Global Equity Fund*	1 176	982	
290 339	RBC QUBE Low Volatility Global Equity Fund*	4 957	5 400	
59 170	RBC U.S. Mid-Cap Value Equity Fund*	769	684	
20 148	RBC U.S. Small-Cap Value Equity Fund*	236	224	
18 969	Vanguard Real Estate ETF	1 765	1 931	
TOTAL UNDERLYING FUNDS		41 467	41 079	99.4
SHORT-TERM INVESTMENTS[†]		170	170	0.4
TOTAL INVESTMENTS		<u>\$ 41 637</u>	41 249	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			62	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 41 311</u>	100.0

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.70% and mature on January 2, 2019.

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 41 249	\$ 36 649
Cash	22	28
Subscriptions receivable	55	24
TOTAL ASSETS	41 326	36 701
LIABILITIES		
Redemptions payable	3	—
Accounts payable and accrued expenses	12	12
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF		
REDEEMABLE UNITS	15	12
NET ASSETS ATTRIBUTABLE TO HOLDERS		
OF REDEEMABLE UNITS ("NAV")	\$ 41 311	\$ 36 689
Investments at cost	\$ 41 637	\$ 34 549
NAV		
SERIES D	\$ 13 124	\$ 12 511
SERIES F	\$ 1	\$ —
SERIES O	\$ 28 186	\$ 24 178
NAV PER UNIT		
SERIES D	\$ 11.58	\$ 12.28
SERIES F	\$ 9.05	\$ —
SERIES O	\$ 11.49	\$ 12.19

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 3	\$ —
Income from investment trusts	1 737	1 400
Derivative income	—	(2)
Net realized gain (loss) on investments	404	289
Change in unrealized gain (loss) on investments	(2 488)	688
TOTAL NET GAIN (LOSS) ON		
INVESTMENTS AND DERIVATIVES	(344)	2 375
Net gain (loss) on foreign cash balances	2	(1)
TOTAL OTHER INCOME (LOSS)	2	(1)
TOTAL INCOME (LOSS)	(342)	2 374
EXPENSES (see notes – Fund Specific Information)		
Management fees	108	108
Administration fees	20	17
Independent Review Committee costs	2	3
GST/HST	13	12
Withholding tax	10	6
Expenses reimbursed by manager	(1)	(3)
TOTAL EXPENSES	152	143
INCREASE (DECREASE) IN NAV	\$ (494)	\$ 2 231
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (240)	\$ 734
SERIES F	\$ (1)	\$ —
SERIES O	\$ (253)	\$ 1 497
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ (0.23)	\$ 0.73
SERIES F	\$ (0.52)	\$ —
SERIES O	\$ (0.12)	\$ 0.90



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (494)	\$ 2 231
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(1 649)	(1 400)
Net realized loss (gain) on investments	(404)	(289)
Change in unrealized loss (gain) on investments	2 488	(688)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	—	—
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(51 634)	(36 095)
Proceeds from sale and maturity of investments	46 599	33 880
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(5 094)	(2 361)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	8 081	7 272
Cash paid on redemption of redeemable units	(2 986)	(4 942)
Distributions paid to holders of redeemable units	(7)	(3)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 5 088	\$ 2 327
Net increase (decrease) in cash for the period	(6)	(34)
Cash (bank overdraft), beginning of period	28	62
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 22	\$ 28
Interest received (paid)	\$ 3	\$ —
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 12 511	\$ 13 440	\$ —	\$ —	\$ 24 178	\$ 18 663	\$ 36 689	\$ 32 103
INCREASE (DECREASE) IN NAV	(240)	734	(1)	—	(253)	1 497	(494)	2 231
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 756	1 311	2	—	6 354	6 062	8 112	7 373
Reinvestments of distributions to holders of redeemable units	522	947	—	—	1 389	2 029	1 911	2 976
Redemption of redeemable units	(897)	(2 973)	—	—	(2 092)	(2 045)	(2 989)	(5 018)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 381	(715)	2	—	5 651	6 046	7 034	5 331
Distributions from net income	(265)	(273)	—	—	(828)	(595)	(1 093)	(868)
Distributions from net gains	(263)	(141)	—	—	(562)	(270)	(825)	(411)
Distributions from capital	—	(534)	—	—	—	(1 163)	—	(1 697)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(528)	(948)	—	—	(1 390)	(2 028)	(1 918)	(2 976)
NET INCREASE (DECREASE) IN NAV	613	(929)	1	—	4 008	5 515	4 622	4 586
NAV AT END OF PERIOD	\$ 13 124	\$ 12 511	\$ 1	\$ —	\$ 28 186	\$ 24 178	\$ 41 311	\$ 36 689

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2025.

Series F units were started August 16, 2018.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 52.3% (December 31, 2017 – 51.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	80.3	85.2
AA	13.9	9.2
BBB	0.9	0.5
BB	2.0	2.4
B	2.9	1.9
CCC	—	0.8
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	51.6	50.6
Global Equities	26.6	27.1
Canadian Equities	12.9	13.1
United States Equities	6.8	7.3
Cash/Other	2.1	1.9
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 52.3% (December 31, 2017 – 51.0%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	0.2	0.2
1 – 5 years	16.5	14.1
5 – 10 years	1.8	3.3
> 10 years	81.5	82.4
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 10.2% (December 31, 2017 – 11.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	21.1	21.4
Japanese yen	2.3	2.2
Euro	1.9	2.1
Hong Kong dollar	1.3	1.3
Swiss franc	1.2	1.1
Pound sterling	1.0	1.3
South African rand	0.6	0.8
Indian rupee	0.6	0.5
Other currencies	2.3	2.7
Total	32.3	33.4

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.6% (December 31, 2017 – 1.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.4	+ or - 0.4

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

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



December 31, 2018

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	41 079	–	–	41 079
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	170	–	170
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	41 079	170	–	41 249
% of total portfolio	99.6	0.4	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	36 452	–	–	36 452
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	197	–	197
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	36 452	197	–	36 649
% of total portfolio	99.5	0.5	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	0.85%	0.05%
Series F	0.60%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

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

	December 31 2018	December 31 2017
Units held		
Series D	69	66
Series F	157	–
Series O	63	60
Value of all units	3	2

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	6.6	0.1	7.1	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	2.4	0.1	3.0	0.1
Phillips, Hager & North				
Canadian Money				
Market Fund	0.5	–	0.4	–
Phillips, Hager & North				
Conservative Equity				
Income Fund	4.1	0.1	3.3	0.1
Phillips, Hager & North				
High Yield Bond Fund	3.0	–	2.9	–
Phillips, Hager & North				
Inflation-Linked Bond Fund	29.2	10.9	23.7	9.3
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	20.1	7.6	24.4	9.9
RBC Emerging Markets				
Equity Fund	3.7	–	4.1	–
RBC Global Equity				
Focus Fund	7.5	0.1	8.2	0.1
RBC QUBE Global				
Equity Fund	2.4	0.3	2.8	0.3
RBC QUBE Low Volatility				
Global Equity Fund	13.1	0.4	12.2	0.4
RBC U.S. Mid-Cap Value				
Equity Fund	1.7	0.1	1.8	0.1
RBC U.S. Small-Cap Value				
Equity Fund	0.5	0.4	0.6	0.3



December 31, 2018

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	4.7	—	4.9	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	1 019	1 073
Issued number of units	141	103
Reinvested number of units	46	77
Redeemed number of units	(73)	(234)
Ending number of units	1 133	1 019
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	1 983	1 501
Issued number of units	516	476
Reinvested number of units	122	166
Redeemed number of units	(169)	(160)
Ending number of units	2 452	1 983

Revision of comparative information

Certain comparative figures were revised. The "Investments at cost" amount in the Statements of Financial Position was revised to reflect the cost adjustment for return of capital. As a result, amounts in "Income from investment trusts" were reclassified to "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. Correspondingly, related amounts in "Change in unrealized loss (gain) on investments" were reclassified to "Non-cash distributions from underlying funds" in the Statements of Cash Flow. The net impact on "NAV," "NAV per unit" and "Net cash provided by (used in) operating activities" is nil.

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2030 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
294 661	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 3 293	\$ 3 068	
168 107	Phillips, Hager & North Canadian Equity Value Fund*	2 242	2 175	
20 001	Phillips, Hager & North Canadian Money Market Fund*	200	200	
47 495	Phillips, Hager & North Conservative Equity Income Fund*	577	529	
163 508	Phillips, Hager & North High Yield Bond Fund*	1 864	1 795	
239 524	Phillips, Hager & North Inflation-Linked Bond Fund*	2 170	2 091	
1 649 647	Phillips, Hager & North Long Inflation-linked Bond Fund*	18 865	17 968	
120 582	RBC Emerging Markets Equity Fund*	1 825	2 008	
318 023	RBC Global Equity Focus Fund*	4 441	4 967	
163 166	RBC QUBE Global Equity Fund*	1 975	1 651	
178 633	RBC QUBE Low Volatility Global Equity Fund*	3 117	3 322	
85 430	RBC U.S. Mid-Cap Value Equity Fund*	1 108	987	
27 684	RBC U.S. Small-Cap Value Equity Fund*	334	308	
20 021	Vanguard Real Estate ETF	1 930	2 038	
TOTAL UNDERLYING FUNDS		43 941	43 107	99.3
SHORT-TERM INVESTMENTS†		213	213	0.5
TOTAL INVESTMENTS		<u>\$ 44 154</u>	43 320	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			70	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 43 390</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.70% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 43 320	\$ 38 960
Cash	23	27
Subscriptions receivable	57	25
TOTAL ASSETS	43 400	39 012
LIABILITIES		
Redemptions payable	1	—
Accounts payable and accrued expenses	9	8
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF		
REDEEMABLE UNITS	10	8
NET ASSETS ATTRIBUTABLE TO HOLDERS		
OF REDEEMABLE UNITS ("NAV")	\$ 43 390	\$ 39 004
Investments at cost	\$ 44 154	\$ 36 691
NAV		
SERIES D	\$ 6 516	\$ 7 146
SERIES F	\$ 1	\$ —
SERIES O	\$ 36 873	\$ 31 858
NAV PER UNIT		
SERIES D	\$ 11.88	\$ 12.75
SERIES F	\$ 8.92	\$ —
SERIES O	\$ 11.79	\$ 12.65

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 3	\$ 1
Income from investment trusts	1 785	1 533
Net realized gain (loss) on investments	462	262
Change in unrealized gain (loss) on investments	(3 103)	1 066
TOTAL NET GAIN (LOSS) ON		
INVESTMENTS AND DERIVATIVES	(853)	2 862
Other income (loss)	4	—
Net gain (loss) on foreign cash balances	1	(1)
TOTAL OTHER INCOME (LOSS)	5	(1)
TOTAL INCOME (LOSS)	(848)	2 861
EXPENSES (see notes – Fund Specific Information)		
Management fees	60	65
Administration fees	21	18
Independent Review Committee costs	2	3
GST/HST	8	8
Withholding tax	11	7
Expenses reimbursed by manager	(2)	(3)
TOTAL EXPENSES	100	98
INCREASE (DECREASE) IN NAV	\$ (948)	\$ 2 763
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (186)	\$ 489
SERIES F	\$ (2)	\$ —
SERIES O	\$ (760)	\$ 2 274
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ (0.36)	\$ 0.86
SERIES F	\$ (0.51)	\$ —
SERIES O	\$ (0.28)	\$ 1.04



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (948)	\$ 2 763
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(1 690)	(1 533)
Net realized loss (gain) on investments	(462)	(262)
Change in unrealized loss (gain) on investments	3 103	(1 066)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	1	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(57 728)	(44 993)
Proceeds from sale and maturity of investments	52 417	40 661
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(5 307)	(4 429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	9 735	8 560
Cash paid on redemption of redeemable units	(4 432)	(4 133)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 5 303	\$ 4 427
Net increase (decrease) in cash for the period	(4)	(2)
Cash (bank overdraft), beginning of period	27	29
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 23	\$ 27
Interest received (paid)	\$ 3	\$ 1
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 7 146	\$ 7 614	\$ —	\$ —	\$ 31 858	\$ 24 169	\$ 39 004	\$ 31 783
INCREASE (DECREASE) IN NAV	(186)	489	(2)	—	(760)	2 274	(948)	2 763
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	871	1 061	17	—	8 879	7 500	9 767	8 561
Reinvestments of distributions to holders of redeemable units	264	247	1	—	1 837	1 397	2 102	1 644
Redemption of redeemable units	(1 314)	(2 018)	(15)	—	(3 104)	(2 086)	(4 433)	(4 104)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(179)	(710)	3	—	7 612	6 811	7 436	6 101
Distributions from net income	(108)	(139)	—	—	(957)	(900)	(1 065)	(1 039)
Distributions from net gains	(157)	(98)	—	—	(880)	(432)	(1 037)	(530)
Distributions from capital	—	(10)	—	—	—	(64)	—	(74)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(265)	(247)	—	—	(1 837)	(1 396)	(2 102)	(1 643)
NET INCREASE (DECREASE) IN NAV	(630)	(468)	1	—	5 015	7 689	4 386	7 221
NAV AT END OF PERIOD	\$ 6 516	\$ 7 146	\$ 1	\$ —	\$ 36 873	\$ 31 858	\$ 43 390	\$ 39 004

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2030.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 50.4% (December 31, 2017 – 50.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	85.0	88.9
AA	3.7	0.6
A	1.6	0.3
BBB	2.7	1.1
BB	2.9	4.2
B	4.1	3.4
CCC	–	1.4
Unrated	–	0.1
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	49.2	49.5
Global Equities	27.5	27.3
Canadian Equities	13.0	13.1
United States Equities	7.6	7.9
Cash/Other	2.7	2.2
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 50.4% (December 31, 2017 – 50.0%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

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

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	0.3	0.3
1 – 5 years	8.2	5.4
5 – 10 years	1.5	4.0
> 10 years	90.0	90.3
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 12.8% (December 31, 2017 – 13.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	22.3	22.4
Euro	2.1	2.2
Japanese yen	1.8	1.7
Hong Kong dollar	1.4	1.3
Pound sterling	1.3	1.7
Swiss franc	1.2	1.1
South African rand	0.8	1.0
Indian rupee	0.8	0.7
New Taiwan dollar	0.5	–
South Korean won	–	0.5
Other currencies	2.2	2.4
Total	34.4	35.0

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.7% (December 31, 2017 – 1.8%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.5	+ or - 0.4

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



December 31, 2018

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	43 107	–	–	43 107
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	213	–	213
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	43 107	213	–	43 320
% of total portfolio	99.5	0.5	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	38 737	–	–	38 737
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	223	–	223
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	38 737	223	–	38 960
% of total portfolio	99.4	0.6	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	0.90%	0.05%
Series F	0.65%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

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

	December 31 2018	December 31 2017
Units held		
Series D	68	65
Series F	157	–
Series O	61	58
Value of all units	3	2

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	7.1	0.1	7.3	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	5.0	0.1	5.6	0.2
Phillips, Hager & North				
Canadian Money				
Market Fund	0.5	–	0.4	–
Phillips, Hager & North				
Conservative Equity				
Income Fund	1.2	–	0.5	–
Phillips, Hager & North				
High Yield Bond Fund	4.1	–	5.0	–
Phillips, Hager & North				
Inflation-Linked Bond Fund	4.8	1.9	1.0	0.4
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	41.4	16.5	44.0	19.1
RBC Emerging Markets				
Equity Fund	4.6	–	4.6	–
RBC Global Equity				
Focus Fund	11.4	0.1	12.6	0.2
RBC QUBE Global				
Equity Fund	3.8	0.6	4.2	0.6
RBC QUBE Low Volatility				
Global Equity Fund	7.7	0.3	6.2	0.2
RBC U.S. Mid-Cap Value				
Equity Fund	2.3	0.2	2.4	0.1
RBC U.S. Small-Cap Value				
Equity Fund	0.7	0.5	0.8	0.5



December 31, 2018

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	4.7	—	4.7	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	561	618
Issued number of units	67	86
Reinvested number of units	23	19
Redeemed number of units	(102)	(162)
Ending number of units	549	561
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	2 518	1 976
Issued number of units	697	598
Reinvested number of units	158	110
Redeemed number of units	(244)	(166)
Ending number of units	3 129	2 518

Revision of comparative information

Certain comparative figures were revised. The "Investments at cost" amount in the Statements of Financial Position was revised to reflect the cost adjustment for return of capital. As a result, amounts in "Income from investment trusts" were reclassified to "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. Correspondingly, related amounts in "Change in unrealized loss (gain) on investments" were reclassified to "Non-cash distributions from underlying funds" in the Statements of Cash Flow. The net impact on "NAV," "NAV per unit" and "Net cash provided by (used in) operating activities" is nil.

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH LIFETIME 2035 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
374 955	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 4 193	\$ 3 904	
237 206	Phillips, Hager & North Canadian Equity Value Fund*	3 171	3 069	
27 364	Phillips, Hager & North Canadian Money Market Fund*	274	274	
12 039	Phillips, Hager & North Conservative Equity Income Fund*	150	134	
253 173	Phillips, Hager & North High Yield Bond Fund*	2 892	2 779	
2 176 022	Phillips, Hager & North Long Inflation-linked Bond Fund*	25 213	23 702	
186 394	RBC Emerging Markets Equity Fund*	2 832	3 103	
565 625	RBC Global Equity Focus Fund*	7 842	8 834	
281 256	RBC QUBE Global Equity Fund*	3 403	2 845	
65 359	RBC QUBE Low Volatility Global Equity Fund*	1 154	1 216	
126 972	RBC U.S. Mid-Cap Value Equity Fund*	1 665	1 467	
44 399	RBC U.S. Small-Cap Value Equity Fund*	518	494	
24 922	Vanguard Real Estate ETF	2 331	2 537	
TOTAL UNDERLYING FUNDS		55 638	54 358	99.7
SHORT-TERM INVESTMENTS†		181	181	0.3
TOTAL INVESTMENTS		<u>\$ 55 819</u>	54 539	100.0
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(8)	—
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 54 531</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.70% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 54 539	\$ 47 570
Cash	28	31
Subscriptions receivable	16	195
TOTAL ASSETS	54 583	47 796
LIABILITIES		
Due to investment dealers	—	191
Redemptions payable	43	1
Accounts payable and accrued expenses	9	9
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF		
REDEEMABLE UNITS	52	201
NET ASSETS ATTRIBUTABLE TO HOLDERS		
OF REDEEMABLE UNITS ("NAV")	\$ 54 531	\$ 47 595
Investments at cost	\$ 55 819	\$ 44 475
NAV		
SERIES D	\$ 7 404	\$ 6 996
SERIES F	\$ 2	\$ —
SERIES O	\$ 47 125	\$ 40 599
NAV PER UNIT		
SERIES D	\$ 12.14	\$ 13.13
SERIES F	\$ 8.85	\$ —
SERIES O	\$ 12.05	\$ 13.04

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 4	\$ 1
Income from investment trusts	2 310	2 287
Derivative income	(1)	(2)
Net realized gain (loss) on investments	703	203
Change in unrealized gain (loss) on investments	(4 375)	1 437
TOTAL NET GAIN (LOSS) ON		
INVESTMENTS AND DERIVATIVES	(1 359)	3 926
Other income (loss)	24	—
Net gain (loss) on foreign cash balances	3	(1)
TOTAL OTHER INCOME (LOSS)	27	(1)
TOTAL INCOME (LOSS)	(1 332)	3 925
EXPENSES (see notes – Fund Specific Information)		
Management fees	70	63
Administration fees	27	22
Independent Review Committee costs	2	3
GST/HST	10	8
Withholding tax	14	8
Expenses reimbursed by manager	—	(3)
TOTAL EXPENSES	123	101
INCREASE (DECREASE) IN NAV	\$ (1 455)	\$ 3 824
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (275)	\$ 536
SERIES F	\$ —	\$ —
SERIES O	\$ (1 180)	\$ 3 288
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ (0.49)	\$ 1.04
SERIES F	\$ (0.68)	\$ —
SERIES O	\$ (0.35)	\$ 1.21



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (1 455)	\$ 3 824
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(2 192)	(2 201)
Net realized loss (gain) on investments	(703)	(203)
Change in unrealized loss (gain) on investments	4 375	(1 437)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	—	2
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(68 395)	(51 684)
Proceeds from sale and maturity of investments	59 755	45 228
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(8 615)	(6 471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	12 857	10 200
Cash paid on redemption of redeemable units	(4 234)	(3 725)
Distributions paid to holders of redeemable units	(11)	(18)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 8 612	\$ 6 457
Net increase (decrease) in cash for the period	(3)	(14)
Cash (bank overdraft), beginning of period	31	45
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 28	\$ 31
Interest received (paid)	\$ 4	\$ 1
Dividends received, net of withholding taxes	\$ —	\$ 78

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 6 996	\$ 6 356	\$ —	\$ —	\$ 40 599	\$ 30 818	\$ 47 595	\$ 37 174
INCREASE (DECREASE) IN NAV	(275)	536	—	—	(1 180)	3 288	(1 455)	3 824
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 822	791	2	—	10 854	9 539	12 678	10 330
Reinvestments of distributions to holders of redeemable units	314	219	—	—	2 544	1 708	2 858	1 927
Redemption of redeemable units	(1 127)	(677)	—	—	(3 149)	(3 048)	(4 276)	(3 725)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 009	333	2	—	10 249	8 199	11 260	8 532
Distributions from net income	(115)	(124)	—	—	(1 209)	(1 104)	(1 324)	(1 228)
Distributions from net gains	(211)	(105)	—	—	(1 334)	(602)	(1 545)	(707)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(326)	(229)	—	—	(2 543)	(1 706)	(2 869)	(1 935)
NET INCREASE (DECREASE) IN NAV	408	640	2	—	6 526	9 781	6 936	10 421
NAV AT END OF PERIOD	\$ 7 404	\$ 6 996	\$ 2	\$ —	\$ 47 125	\$ 40 599	\$ 54 531	\$ 47 595

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2035.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 48.6% (December 31, 2017 – 45.9%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	89.5	89.1
A	–	0.1
BBB	1.6	1.0
BB	3.6	4.5
B	5.3	3.7
CCC	–	1.5
Unrated	–	0.1
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	47.2	45.4
Global Equities	29.3	30.3
Canadian Equities	12.7	13.3
United States Equities	8.2	9.0
Cash/Other	2.6	2.0
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 48.6% (December 31, 2017 – 45.9%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	0.3	0.3
1 – 5 years	8.0	5.4
5 – 10 years	1.7	4.3
> 10 years	90.0	90.0
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 12.7% (December 31, 2017 – 12.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	23.7	24.3
Euro	2.4	2.3
Pound sterling	1.8	2.2
Hong Kong dollar	1.4	1.5
Japanese yen	1.4	1.3
Swiss franc	1.2	1.1
South African rand	1.1	1.4
Indian rupee	1.0	0.9
New Taiwan dollar	0.7	0.6
South Korean won	–	0.7
Other currencies	2.5	2.6
Total	37.2	38.9

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.9% (December 31, 2017 – 1.9%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.5	+ or - 0.5

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

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



December 31, 2018

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	54 358	–	–	54 358
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	181	–	181
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	54 358	181	–	54 539
% of total portfolio	99.7	0.3	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	47 383	–	–	47 383
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	187	–	187
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	47 383	187	–	47 570
% of total portfolio	99.6	0.4	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	0.95%	0.05%
Series F	0.70%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

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

	December 31 2018	December 31 2017
Units held		
Series D	68	65
Series F	157	–
Series O	61	58
Value of all units	3	2

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	7.2	0.2	7.3	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	5.6	0.2	6.3	0.2
Phillips, Hager & North				
Canadian Money				
Market Fund	0.5	–	0.4	–
Phillips, Hager & North				
Conservative Equity				
Income Fund	0.2	–	–	–
Phillips, Hager & North				
High Yield Bond Fund	5.1	0.1	5.0	0.1
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	43.5	21.8	40.9	21.6
RBC Emerging Markets				
Equity Fund	5.7	0.1	6.8	0.1
RBC Global Equity				
Focus Fund	16.2	0.3	16.4	0.3
RBC QUBE Global				
Equity Fund	5.2	1.0	5.5	0.9
RBC QUBE Low Volatility				
Global Equity Fund	2.2	0.1	1.9	0.1
RBC U.S. Mid-Cap Value				
Equity Fund	2.7	0.2	3.0	0.2
RBC U.S. Small-Cap Value				
Equity Fund	0.9	0.8	1.1	0.7



December 31, 2018

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	4.7	—	4.9	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	533	508
Issued number of units	136	61
Reinvested number of units	26	17
Redeemed number of units	(85)	(53)
Ending number of units	610	533
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	3 114	2 480
Issued number of units	825	741
Reinvested number of units	214	131
Redeemed number of units	(241)	(238)
Ending number of units	3 912	3 114

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH LIFETIME 2040 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
381 611	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 4 292	\$ 3 974	
283 395	Phillips, Hager & North Canadian Equity Value Fund*	3 807	3 666	
24 525	Phillips, Hager & North Canadian Money Market Fund*	245	245	
257 667	Phillips, Hager & North High Yield Bond Fund*	2 944	2 827	
1 863 066	Phillips, Hager & North Long Inflation-linked Bond Fund*	21 507	20 293	
272 664	RBC Emerging Markets Equity Fund*	4 170	4 540	
683 003	RBC Global Equity Focus Fund*	9 419	10 667	
348 773	RBC QUBE Global Equity Fund*	4 227	3 529	
183 797	RBC U.S. Mid-Cap Value Equity Fund*	2 420	2 124	
65 412	RBC U.S. Small-Cap Value Equity Fund*	781	728	
25 587	Vanguard Real Estate ETF	2 430	2 605	
TOTAL UNDERLYING FUNDS		56 242	55 198	99.5
SHORT-TERM INVESTMENTS†		218	218	0.4
TOTAL INVESTMENTS		<u>\$ 56 460</u>	55 416	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			65	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 55 481</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.70% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 55 416	\$ 47 571
Cash	28	31
Subscriptions receivable	57	45
TOTAL ASSETS	55 501	47 647
LIABILITIES		
Redemptions payable	12	3
Accounts payable and accrued expenses	8	7
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF		
REDEEMABLE UNITS	20	10
NET ASSETS ATTRIBUTABLE TO HOLDERS		
OF REDEEMABLE UNITS ("NAV")	\$ 55 481	\$ 47 637
Investments at cost	\$ 56 460	\$ 44 222
NAV		
SERIES D	\$ 4 919	\$ 4 702
SERIES F	\$ 1	\$ –
SERIES O	\$ 50 561	\$ 42 935
NAV PER UNIT		
SERIES D	\$ 12.25	\$ 13.22
SERIES F	\$ 8.87	\$ –
SERIES O	\$ 12.13	\$ 13.11

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 4	\$ 1
Income from investment trusts	2 474	2 359
Derivative income	–	(3)
Net realized gain (loss) on investments	427	165
Change in unrealized gain (loss) on investments	(4 393)	1 765
TOTAL NET GAIN (LOSS) ON		
INVESTMENTS AND DERIVATIVES	(1 488)	4 287
Other income (loss)	21	–
Net gain (loss) on foreign cash balances	2	–
TOTAL OTHER INCOME (LOSS)	23	–
TOTAL INCOME (LOSS)	(1 465)	4 287
EXPENSES (see notes – Fund Specific Information)		
Management fees	50	42
Administration fees	27	21
Independent Review Committee costs	2	3
GST/HST	7	6
Withholding tax	14	8
Expenses reimbursed by manager	–	(3)
TOTAL EXPENSES	100	77
INCREASE (DECREASE) IN NAV	\$ (1 565)	\$ 4 210
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (199)	\$ 389
SERIES F	\$ (1)	\$ –
SERIES O	\$ (1 365)	\$ 3 821
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ (0.53)	\$ 1.20
SERIES F	\$ (0.73)	\$ –
SERIES O	\$ (0.38)	\$ 1.36



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (1 565)	\$ 4 210
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(2 354)	(2 273)
Net realized loss (gain) on investments	(427)	(165)
Change in unrealized loss (gain) on investments	4 393	(1 765)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	1	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(70 576)	(56 780)
Proceeds from sale and maturity of investments	61 119	48 761
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(9 409)	(8 011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	14 158	11 335
Cash paid on redemption of redeemable units	(4 748)	(3 336)
Distributions paid to holders of redeemable units	(4)	(3)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 9 406	\$ 7 996
Net increase (decrease) in cash for the period	(3)	(15)
Cash (bank overdraft), beginning of period	31	46
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 28	\$ 31
Interest received (paid)	\$ 4	\$ 1
Dividends received, net of withholding taxes	\$ —	\$ 78

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 4 702	\$ 4 048	\$ —	\$ —	\$ 42 935	\$ 31 436	\$ 47 637	\$ 35 484
INCREASE (DECREASE) IN NAV	(199)	389	(1)	—	(1 365)	3 821	(1 565)	4 210
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 494	982	2	—	12 674	10 286	14 170	11 268
Reinvestments of distributions to holders of redeemable units	195	190	—	—	2 564	2 207	2 759	2 397
Redemption of redeemable units	(1 075)	(716)	—	—	(3 682)	(2 609)	(4 757)	(3 325)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	614	456	2	—	11 556	9 884	12 172	10 340
Distributions from net income	(72)	(74)	—	—	(1 261)	(1 134)	(1 333)	(1 208)
Distributions from net gains	(126)	(117)	—	—	(1 304)	(1 072)	(1 430)	(1 189)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(198)	(191)	—	—	(2 565)	(2 206)	(2 763)	(2 397)
NET INCREASE (DECREASE) IN NAV	217	654	1	—	7 626	11 499	7 844	12 153
NAV AT END OF PERIOD	\$ 4 919	\$ 4 702	\$ 1	\$ —	\$ 50 561	\$ 42 935	\$ 55 481	\$ 47 637

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2040.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 41.7% (December 31, 2017 – 40.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	87.8	87.6
A	–	0.1
BBB	1.8	1.1
BB	4.2	5.2
B	6.2	4.2
CCC	–	1.7
Unrated	–	0.1
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	40.4	39.5
Global Equities	33.7	33.7
Canadian Equities	13.4	14.2
United States Equities	9.7	10.3
Cash/Other	2.8	2.3
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 41.7% (December 31, 2017 – 40.0%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	0.4	0.3
1 – 5 years	9.3	6.3
5 – 10 years	2.0	4.9
> 10 years	88.3	88.5
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 10.7% (December 31, 2017 – 10.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	23.1	23.5
Euro	2.7	2.5
Pound sterling	2.1	2.6
Hong Kong dollar	1.8	1.8
South African rand	1.5	1.7
Indian rupee	1.4	1.1
Japanese yen	1.4	1.2
Swiss franc	1.3	1.2
New Taiwan dollar	0.9	0.8
Brazilian real	0.6	–
South Korean won	0.6	0.9
Other currencies	2.3	3.1
Total	39.7	40.4

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.0% (December 31, 2017 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.6	+ or - 0.5

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



December 31, 2018

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	55 198	–	–	55 198
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	218	–	218
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	55 198	218	–	55 416
% of total portfolio	99.6	0.4	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	47 312	–	–	47 312
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	259	–	259
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	47 312	259	–	47 571
% of total portfolio	99.5	0.5	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	1.00%	0.05%
Series F	0.75%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series D	69	66
Series F	157	–
Series O	61	58
Value of all units	3	2

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	7.2	0.2	7.3	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	6.6	0.2	7.2	0.3
Phillips, Hager & North				
Canadian Money				
Market Fund	0.4	–	0.4	–
Phillips, Hager & North				
High Yield Bond Fund	5.1	0.1	5.0	0.1
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	36.6	18.7	35.0	18.5
RBC Emerging Markets				
Equity Fund	8.2	0.1	8.3	0.1
RBC Global Equity				
Focus Fund	19.2	0.3	19.4	0.3
RBC QUBE Global				
Equity Fund	6.4	1.2	6.4	1.0
RBC U.S. Mid-Cap Value				
Equity Fund	3.8	0.4	4.1	0.3
RBC U.S. Small-Cap Value				
Equity Fund	1.3	1.2	1.5	1.0



December 31, 2018

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	4.7	—	4.8	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	356	321
Issued number of units	113	76
Reinvested number of units	16	14
Redeemed number of units	(83)	(55)
Ending number of units	402	356
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	3 275	2 515
Issued number of units	955	792
Reinvested number of units	215	168
Redeemed number of units	(277)	(200)
Ending number of units	4 168	3 275

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH LIFETIME 2045 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
804 397	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 9 081	\$ 8 376	
641 489	Phillips, Hager & North Canadian Equity Value Fund*	8 637	8 298	
53 450	Phillips, Hager & North Canadian Money Market Fund*	534	534	
496 481	Phillips, Hager & North High Yield Bond Fund*	5 662	5 449	
2 778 088	Phillips, Hager & North Long Inflation-linked Bond Fund*	32 111	30 260	
605 859	RBC Emerging Markets Equity Fund*	9 220	10 087	
1 528 824	RBC Global Equity Focus Fund*	20 687	23 877	
766 816	RBC QUBE Global Equity Fund*	9 316	7 758	
420 762	RBC U.S. Mid-Cap Value Equity Fund*	5 527	4 862	
149 445	RBC U.S. Small-Cap Value Equity Fund*	1 736	1 664	
49 076	Vanguard Real Estate ETF	4 682	4 996	
TOTAL UNDERLYING FUNDS		107 193	106 161	99.8
SHORT-TERM INVESTMENTS†		264	264	0.2
TOTAL INVESTMENTS		<u>\$ 107 457</u>	106 425	100.0
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(13)	—
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>\$ 106 412</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.70% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 106 425	\$ 93 875
Cash	55	63
Subscriptions receivable	8	76
TOTAL ASSETS	106 488	94 014
LIABILITIES		
Redemptions payable	63	98
Accounts payable and accrued expenses	13	12
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF		
REDEEMABLE UNITS	76	110
NET ASSETS ATTRIBUTABLE TO HOLDERS		
OF REDEEMABLE UNITS ("NAV")	\$ 106 412	\$ 93 904
Investments at cost	\$ 107 457	\$ 85 889
NAV		
SERIES D	\$ 7 621	\$ 6 907
SERIES F	\$ 1	\$ –
SERIES O	\$ 98 790	\$ 86 997
NAV PER UNIT		
SERIES D	\$ 13.05	\$ 14.16
SERIES F	\$ 8.80	\$ –
SERIES O	\$ 12.94	\$ 14.05

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 6	\$ 2
Income from investment trusts	4 984	4 903
Derivative income	(1)	(3)
Net realized gain (loss) on investments	1 145	379
Change in unrealized gain (loss) on investments	(9 018)	4 400
TOTAL NET GAIN (LOSS) ON		
INVESTMENTS AND DERIVATIVES	(2 884)	9 681
Other income (loss)	43	–
Net gain (loss) on foreign cash balances	9	(3)
TOTAL OTHER INCOME (LOSS)	52	(3)
TOTAL INCOME (LOSS)	(2 832)	9 678
EXPENSES (see notes – Fund Specific Information)		
Management fees	79	68
Administration fees	51	41
Independent Review Committee costs	2	3
GST/HST	14	11
Transaction costs	1	–
Withholding tax	27	16
TOTAL EXPENSES	174	139
INCREASE (DECREASE) IN NAV	\$ (3 006)	\$ 9 539
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (320)	\$ 692
SERIES F	\$ (1)	\$ –
SERIES O	\$ (2 685)	\$ 8 847
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ (0.61)	\$ 1.46
SERIES F	\$ (0.76)	\$ –
SERIES O	\$ (0.40)	\$ 1.61



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (3 006)	\$ 9 539
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(4 751)	(4 731)
Net realized loss (gain) on investments	(1 145)	(379)
Change in unrealized loss (gain) on investments	9 018	(4 400)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	1	3
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(125 798)	(95 103)
Proceeds from sale and maturity of investments	110 126	81 621
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(15 555)	(13 450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	25 985	22 397
Cash paid on redemption of redeemable units	(10 438)	(8 984)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 15 547	\$ 13 413
Net increase (decrease) in cash for the period	(8)	(37)
Cash (bank overdraft), beginning of period	63	100
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 55	\$ 63
Interest received (paid)	\$ 6	\$ 2
Dividends received, net of withholding taxes	\$ —	\$ 156

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 6 907	\$ 5 875	\$ —	\$ —	\$ 86 997	\$ 65 082	\$ 93 904	\$ 70 957
INCREASE (DECREASE) IN NAV	(320)	692	(1)	—	(2 685)	8 847	(3 006)	9 539
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	2 987	2 121	2	—	22 928	20 307	25 917	22 428
Reinvestments of distributions to holders of redeemable units	343	211	—	—	5 436	3 652	5 779	3 863
Redemption of redeemable units	(1 952)	(1 781)	—	—	(8 451)	(7 241)	(10 403)	(9 022)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 378	551	2	—	19 913	16 718	21 293	17 269
Distributions from net income	(104)	(90)	—	—	(2 417)	(2 143)	(2 521)	(2 233)
Distributions from net gains	(240)	(121)	—	—	(3 018)	(1 507)	(3 258)	(1 628)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(344)	(211)	—	—	(5 435)	(3 650)	(5 779)	(3 861)
NET INCREASE (DECREASE) IN NAV	714	1 032	1	—	11 793	21 915	12 508	22 947
NAV AT END OF PERIOD	\$ 7 621	\$ 6 907	\$ 1	\$ —	\$ 98 790	\$ 86 997	\$ 106 412	\$ 93 904

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2045.

Series F units were started August 16, 2018.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 33.6% (December 31, 2017 – 30.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	84.7	83.5
A	–	0.1
BBB	2.3	1.5
BB	5.3	6.9
B	7.7	5.6
CCC	–	2.3
Unrated	–	0.1
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Global Equities	39.1	40.3
Bonds	32.3	29.6
Canadian Equities	15.3	16.4
United States Equities	10.7	11.4
Cash/Other	2.6	2.3
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 33.6% (December 31, 2017 – 30.0%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	0.5	0.4
1 – 5 years	11.5	8.3
5 – 10 years	2.5	6.5
> 10 years	85.5	84.8
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 8.4% (December 31, 2017 – 7.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	30.7	32.1
Euro	3.2	3.0
Pound sterling	2.5	3.1
Hong Kong dollar	2.1	2.1
South African rand	1.7	2.0
Indian rupee	1.6	1.3
Japanese yen	1.6	1.5
Swiss franc	1.5	1.5
New Taiwan dollar	1.1	0.9
Brazilian real	0.7	–
South Korean won	0.7	1.0
Australian dollar	0.5	–
Other currencies	2.3	3.7
Total	50.2	52.2

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.5% (December 31, 2017 – 2.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.6	+ or - 0.5

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



December 31, 2018

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	106 161	–	–	106 161
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	264	–	264
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	106 161	264	–	106 425
% of total portfolio	99.8	0.2	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	93 335	–	–	93 335
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	540	–	540
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	93 335	540	–	93 875
% of total portfolio	99.4	0.6	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	1.05%	0.05%
Series F	0.80%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series D	68	65
Series F	158	–
Series O	60	56
Value of all units	3	2

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	7.9	0.3	8.3	0.3
Phillips, Hager & North				
Canadian Equity				
Value Fund	7.8	0.5	8.4	0.7
Phillips, Hager & North				
Canadian Money				
Market Fund	0.5	–	0.4	–
Phillips, Hager & North				
High Yield Bond Fund	5.1	0.1	5.0	0.1
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	28.4	27.8	25.1	26.2
RBC Emerging Markets				
Equity Fund	9.5	0.2	9.9	0.2
RBC Global Equity				
Focus Fund	22.4	0.7	23.2	0.7
RBC QUBE Global				
Equity Fund	7.3	2.6	7.7	2.5
RBC U.S. Mid-Cap Value				
Equity Fund	4.6	0.8	5.0	0.7
RBC U.S. Small-Cap Value				
Equity Fund	1.6	2.8	1.8	2.3



December 31, 2018

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	4.7	—	4.6	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	488	446
Issued number of units	208	156
Reinvested number of units	27	15
Redeemed number of units	(139)	(129)
Ending number of units	584	488
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	6 192	4 981
Issued number of units	1 608	1 479
Reinvested number of units	429	259
Redeemed number of units	(593)	(527)
Ending number of units	7 636	6 192

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	1	100	—	—
Related-party brokerage commissions*	—	—	—	—
Commission arrangements [†]	—	—	—	—

* See note 8 in the generic notes.

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH LIFETIME 2050 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
388 928	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 4 521	\$ 4 050	
310 158	Phillips, Hager & North Canadian Equity Value Fund*	4 341	4 011	
21 254	Phillips, Hager & North Canadian Money Market Fund*	213	213	
206 276	Phillips, Hager & North High Yield Bond Fund*	2 346	2 264	
744 205	Phillips, Hager & North Long Inflation-linked Bond Fund*	8 607	8 106	
292 851	RBC Emerging Markets Equity Fund*	4 849	4 876	
753 805	RBC Global Equity Focus Fund*	11 572	11 773	
385 691	RBC QUBE Global Equity Fund*	4 633	3 902	
220 070	RBC U.S. Mid-Cap Value Equity Fund*	2 895	2 543	
71 874	RBC U.S. Small-Cap Value Equity Fund*	914	800	
20 738	Vanguard Real Estate ETF	2 165	2 111	
TOTAL UNDERLYING FUNDS		47 056	44 649	99.2
SHORT-TERM INVESTMENTS†		211	211	0.5
TOTAL INVESTMENTS		<u>\$ 47 267</u>	44 860	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			126	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 44 986</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.70% and mature on January 2, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 44 860	\$ 26 267
Cash	23	21
Due from investment dealers	–	50
Subscriptions receivable	121	100
TOTAL ASSETS	45 004	26 438
LIABILITIES		
Due to investment dealers	–	148
Redemptions payable	13	7
Accounts payable and accrued expenses	5	2
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	18	157
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 44 986	\$ 26 281
Investments at cost	\$ 47 267	\$ 25 036
NAV		
SERIES D	\$ 2 712	\$ 1 140
SERIES F	\$ 1	\$ –
SERIES O	\$ 42 273	\$ 25 141
NAV PER UNIT		
SERIES D	\$ 10.78	\$ 11.62
SERIES F	\$ 8.85	\$ –
SERIES O	\$ 10.67	\$ 11.50

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 3	\$ –
Income from investment trusts	2 180	1 391
Derivative income	1	(1)
Net realized gain (loss) on investments	41	42
Change in unrealized gain (loss) on investments	(3 638)	1 003
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(1 413)	2 435
Other income (loss)	18	–
Net gain (loss) on foreign cash balances	1	–
TOTAL OTHER INCOME (LOSS)	19	–
TOTAL INCOME (LOSS)	(1 394)	2 435
EXPENSES (see notes – Fund Specific Information)		
Management fees	25	9
Administration fees	20	8
Independent Review Committee costs	2	3
GST/HST	5	2
Withholding tax	11	5
Expenses reimbursed by manager	(1)	(3)
TOTAL EXPENSES	62	24
INCREASE (DECREASE) IN NAV	\$ (1 456)	\$ 2 411
INCREASE (DECREASE) IN NAV		
SERIES D	\$ (111)	\$ 98
SERIES F	\$ (1)	\$ –
SERIES O	\$ (1 344)	\$ 2 313
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	\$ (0.58)	\$ 1.38
SERIES F	\$ (0.78)	\$ –
SERIES O	\$ (0.46)	\$ 1.51



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (1 456)	\$ 2 411
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(2 092)	(1 349)
Net realized loss (gain) on investments	(41)	(42)
Change in unrealized loss (gain) on investments	3 638	(1 003)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	3	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(62 335)	(25 427)
Proceeds from sale and maturity of investments	42 139	13 462
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(20 144)	(11 947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	24 538	13 962
Cash paid on redemption of redeemable units	(4 391)	(2 070)
Distributions paid to holders of redeemable units	(1)	(1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 20 146	\$ 11 891
Net increase (decrease) in cash for the period	2	(56)
Cash (bank overdraft), beginning of period	21	77
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 23	\$ 21
Interest received (paid)	\$ 3	\$ —
Dividends received, net of withholding taxes	\$ —	\$ 37

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 140	\$ 610	\$ —	\$ —	\$ 25 141	\$ 11 318	\$ 26 281	\$ 11 928
INCREASE (DECREASE) IN NAV	(111)	98	(1)	—	(1 344)	2 313	(1 456)	2 411
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	2 193	556	2	—	22 364	13 475	24 559	14 031
Reinvestments of distributions to holders of redeemable units	103	49	—	—	2 115	1 375	2 218	1 424
Redemption of redeemable units	(509)	(124)	—	—	(3 888)	(1 966)	(4 397)	(2 090)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 787	481	2	—	20 591	12 884	22 380	13 365
Distributions from net income	(32)	(12)	—	—	(1 005)	(568)	(1 037)	(580)
Distributions from net gains	(72)	(37)	—	—	(1 110)	(806)	(1 182)	(843)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(104)	(49)	—	—	(2 115)	(1 374)	(2 219)	(1 423)
NET INCREASE (DECREASE) IN NAV	1 572	530	1	—	17 132	13 823	18 705	14 353
NAV AT END OF PERIOD	\$ 2 712	\$ 1 140	\$ 1	\$ —	\$ 42 273	\$ 25 141	\$ 44 986	\$ 26 281

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2050.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 23.1% (December 31, 2017 – 20.9%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	78.1	76.8
A	–	0.1
BBB	3.3	2.1
BB	7.6	9.7
B	11.0	7.9
CCC	–	3.3
Unrated	–	0.1
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Global Equities	45.5	45.7
Bonds	21.9	20.4
Canadian Equities	17.5	18.9
United States Equities	12.0	12.6
Cash/Other	3.1	2.4
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 23.1% (December 31, 2017 – 20.9%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	0.7	0.6
1 – 5 years	16.5	11.8
5 – 10 years	3.6	9.2
> 10 years	79.2	78.4
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.3% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	35.4	35.6
Euro	3.7	3.4
Pound sterling	2.9	3.5
Hong Kong dollar	2.4	2.4
South African rand	1.9	2.3
Japanese yen	1.9	1.7
Indian rupee	1.8	1.5
Swiss franc	1.8	1.7
New Taiwan dollar	1.2	1.0
Brazilian real	0.8	–
South Korean won	0.8	1.2
Australian dollar	0.6	0.5
Danish krone	0.5	–
Other currencies	2.1	3.5
Total	57.8	58.3

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.9% (December 31, 2017 – 2.9%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.



December 31, 2018

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite Total Return Index	+ or - 0.7	+ or - 0.6

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	44 649	—	—	44 649
Fixed-income	—	—	—	—
and debt securities	—	—	—	—
Short-term investments	—	211	—	211
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	44 649	211	—	44 860
% of total portfolio	99.5	0.5	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	26 134	—	—	26 134
Fixed-income	—	—	—	—
and debt securities	—	—	—	—
Short-term investments	—	133	—	133
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	26 134	133	—	26 267
% of total portfolio	99.5	0.5	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series D	1.10%	0.05%
Series F	0.85%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series D	123	118
Series F	156	—
Series O	111	106
Value of all units	4	3

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	9.0	0.2	9.6	0.1
Phillips, Hager & North Canadian Equity Value Fund	8.9	0.3	9.6	0.2
Phillips, Hager & North Canadian Money Market Fund	0.5	—	0.5	—
Phillips, Hager & North High Yield Bond Fund	5.0	0.1	4.9	—
Phillips, Hager & North Long Inflation-linked Bond Fund	18.0	7.5	15.9	4.7
RBC Emerging Markets Equity Fund	10.8	0.1	11.1	0.1



December 31, 2018

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
RBC Global Equity				
Focus Fund	26.2	0.3	26.5	0.2
RBC QUBE Global				
Equity Fund	8.7	1.3	8.8	0.8
RBC U.S. Mid-Cap Value				
Equity Fund	5.7	0.4	5.6	0.2
RBC U.S. Small-Cap Value				
Equity Fund	1.8	1.4	1.9	0.7

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate ETF	4.7	—	5.1	—

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series D		
Opening units	98	56
Issued number of units	188	49
Reinvested number of units	10	4
Redeemed number of units	(44)	(11)
Ending number of units	252	98
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	2 185	1 057
Issued number of units	1 913	1 180
Reinvested number of units	198	120
Redeemed number of units	(332)	(172)
Ending number of units	3 964	2 185

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2055 FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
1 339	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 16	\$ 14	
1 078	Phillips, Hager & North Canadian Equity Value Fund*	16	14	
75	Phillips, Hager & North Canadian Money Market Fund*	1	1	
693	Phillips, Hager & North High Yield Bond Fund*	8	8	
2 081	Phillips, Hager & North Long Inflation-linked Bond Fund*	23	23	
1 039	RBC Emerging Markets Equity Fund*	18	16	
2 494	RBC Global Equity Focus Fund*	45	39	
1 306	RBC QUBE Global Equity Fund*	16	13	
712	RBC U.S. Mid-Cap Value Equity Fund*	10	8	
253	RBC U.S. Small-Cap Value Equity Fund*	3	3	
74	Vanguard Real Estate ETF	7	8	
TOTAL UNDERLYING FUNDS		\$ 163	147	100.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			—	—
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$	147	100.0

* Investment in related party (see note 8 in the generic notes).



Statement of Financial Position

(in \$000s except per unit amounts)

	December 31 2018
(see note 2 in the generic notes)	
ASSETS	
Investments at fair value	\$ 147
Cash	1
TOTAL ASSETS	148
LIABILITIES	
Accounts payable and accrued expenses	1
TOTAL LIABILITIES EXCLUDING NET ASSETS	
ATTRIBUTABLE TO HOLDERS OF	
REDEEMABLE UNITS	1
NET ASSETS ATTRIBUTABLE TO HOLDERS	
OF REDEEMABLE UNITS ("NAV")	\$ 147
Investments at cost	\$ 163
NAV	
SERIES D	\$ 7
SERIES F	\$ 1
SERIES O	\$ 139
NAV PER UNIT	
SERIES D	\$ 9.06
SERIES F	\$ 9.04
SERIES O	\$ 8.97

Statement of Comprehensive Income

(in \$000s except per unit amounts)

For the period ended December 31 (see note 2 in the generic notes)	2018
INCOME (see note 3 in the generic notes)	
Interest for distribution purposes	\$ (1)
Income from investment trusts	7
Change in unrealized gain (loss) on investments	(16)
TOTAL NET GAIN (LOSS) ON	
INVESTMENTS AND DERIVATIVES	(10)
TOTAL INCOME (LOSS)	(10)
EXPENSES (see notes – Fund Specific Information)	
Independent Review Committee costs	1
Expenses reimbursed by manager	(1)
TOTAL EXPENSES	–
INCREASE (DECREASE) IN NAV	\$ (10)
INCREASE (DECREASE) IN NAV	
SERIES D	\$ (1)
SERIES F	\$ –
SERIES O	\$ (9)
INCREASE (DECREASE) IN NAV PER UNIT	
SERIES D	\$ (0.52)
SERIES F	\$ (0.61)
SERIES O	\$ (0.59)



Statement of Cash Flow *(in \$000s)*

For the period ended December 31
(see note 2 in the generic notes)

2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in NAV \$ (10)

ADJUSTMENTS TO RECONCILE NET CASH

PROVIDED BY (USED IN) OPERATIONS

Interest for distribution purposes –

Non-cash distributions from underlying funds (7)

Net realized loss (gain) on investments –

Change in unrealized loss (gain) on investments 16

(Increase) decrease in accrued receivables –

Increase (decrease) in accrued payables 1

(Increase) decrease in margin accounts –

Cost of investments purchased (158)

Proceeds from sale and maturity of investments 2

NET CASH PROVIDED BY (USED IN)

OPERATING ACTIVITIES (156)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of redeemable units 157

Cash paid on redemption of redeemable units –

Distributions paid to holders of redeemable units –

NET CASH PROVIDED BY (USED IN)

FINANCING ACTIVITIES \$ 157

Net increase (decrease) in cash for the period 1

Cash (bank overdraft), beginning of period –

CASH (BANK OVERDRAFT), END OF PERIOD \$ 1

Interest received (paid) \$ (1)

Dividends received, net of withholding taxes \$ –



Statement of Changes in NAV *(in \$000s)*

For the period ended December 31 (see note 2 in the generic notes)	Series D 2018	Series F 2018	Series O 2018	Total 2018
NAV AT BEGINNING OF PERIOD	\$ —	\$ —	\$ —	\$ —
INCREASE (DECREASE) IN NAV	(1)	—	(9)	(10)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	8	1	148	157
Reinvestments of distributions to holders of redeemable units	—	—	7	7
Redemption of redeemable units	—	—	—	—
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	8	1	155	164
Distributions from net income	—	—	(3)	(3)
Distributions from net gains	—	—	(4)	(4)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	(7)	(7)
NET INCREASE (DECREASE) IN NAV	7	1	139	147
NAV AT END OF PERIOD	\$ 7	\$ 1	\$ 139	\$ 147



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2055.

The Fund was started October 2, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 20.5% of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

	December 31 2018
Rating	
AAA	74.8
BBB	3.8
BB	8.7
B	12.7
Total	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018
Investment mix	
Global Equities	46.1
Bonds	19.8
Canadian Equities	18.6
United States Equities	12.8
Cash/Other	2.7
Total	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 20.5% of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018
Term to maturity	
Less than 1 year	0.8
1 – 5 years	19.0
5 – 10 years	4.1
> 10 years	76.1
Total	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 4.6%. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018
Currency	
United States dollar	36.2
Euro	3.7
Pound sterling	3.0
Hong Kong dollar	2.6
South African rand	2.1
Indian rupee	1.9
Japanese yen	1.9
Swiss franc	1.8
New Taiwan dollar	1.3
South Korean won	0.9
Brazilian real	0.8
Australian dollar	0.6
Indonesian rupiah	0.5
Danish krone	0.5
Other currencies	1.8
Total	59.6

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 3.0%. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on NAV)

Due to the fact that the Fund has been in existence for less than six months, the impact on the NAV of the Fund using the historical correlation between the Fund's return and a broad-based index is not disclosed because there is insufficient data and any resulting calculation could be materially misleading.



December 31, 2018

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

The following is a summary of the inputs used as of December 31, 2018.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	147	–	–	147
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	147	–	–	147
% of total portfolio	100.0	–	–	100.0

For the period ended December 31, 2018, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees
(see note 8 in the generic notes)

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

	Management fees	Administration fees
Series D	1.15%	0.05%
Series F	0.90%	0.05%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018
Units held	
Series D	104
Series F	104
Series O	15 533
Value of all units	141

Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018	
	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	9.4	–
Phillips, Hager & North Canadian Equity Value Fund	9.4	–
Phillips, Hager & North Canadian Money Market Fund	0.5	–
Phillips, Hager & North High Yield Bond Fund	5.2	–
Phillips, Hager & North Long Inflation-linked Bond Fund	15.3	–
RBC Emerging Markets Equity Fund	11.7	–
RBC Global Equity Focus Fund	26.4	–
RBC QUBE Global Equity Fund	8.9	–
RBC U.S. Mid-Cap Value Equity Fund	5.6	–
RBC U.S. Small-Cap Value Equity Fund	1.9	–

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2018	
	NAV	Ownership
Vanguard Real Estate ETF	5.1	–



December 31, 2018

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the period ended December 31
(see note 2 in the generic notes)

2018

Series D

Opening units	–
Issued number of units	1
Reinvested number of units	–
Redeemed number of units	–
Ending number of units	1

Series F

Opening units	–
Issued number of units	–
Reinvested number of units	–
Redeemed number of units	–
Ending number of units	–

Series O

Opening units	–
Issued number of units	15
Reinvested number of units	1
Redeemed number of units	–
Ending number of units	16



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH BALANCED PENSION TRUST

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
45 167 124	Phillips, Hager & North Bond Fund*	\$ 471 889	\$ 453 406	
35 585 694	Phillips, Hager & North Canadian Equity Underlying Fund*	379 676	370 547	
1 856 141	Phillips, Hager & North Canadian Money Market Fund*	18 561	18 561	
3 023 033	RBC Emerging Markets Equity Fund*	42 623	50 330	
10 194 114	RBC Global Equity Focus Fund*	123 566	159 214	
15 913 673	RBC QUBE Global Equity Fund*	182 614	160 997	
TOTAL UNDERLYING FUNDS		1 218 929	1 213 055	99.6
SHORT-TERM INVESTMENTS[†]		4 886	4 886	0.4
TOTAL INVESTMENTS		<u>\$1 223 815</u>	1 217 941	100.0
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(181)	—
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$1 217 760</u>	100.0

* Investment in related party (see note 8 in the generic notes).

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.28% and mature between January 2, 2019 and January 31, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 1 217 941	\$ 1 293 743
Cash	154	128
Subscriptions receivable	744	713
Dividends receivable, interest accrued and other assets	6	8
TOTAL ASSETS	1 218 845	1 294 592
LIABILITIES		
Redemptions payable	983	1 312
Accounts payable and accrued expenses	102	130
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 085	1 442
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 217 760	\$ 1 293 150
Investments at cost	\$ 1 223 815	\$ 1 194 160
NAV		
SERIES F	\$ 186 183	\$ 245 278
SERIES O	\$ 1 031 577	\$ 1 047 872
NAV PER UNIT		
SERIES F	\$ 18.94	\$ 20.54
SERIES O	\$ 18.78	\$ 20.38

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 83	\$ 46
Income from investment trusts	62 269	69 897
Net realized gain (loss) on investments	12 818	16 417
Change in unrealized gain (loss) on investments	(105 457)	34 187
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(30 287)	120 547
Net gain (loss) on foreign cash balances	2	–
TOTAL OTHER INCOME (LOSS)	2	–
TOTAL INCOME (LOSS)	(30 285)	120 547
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 041	1 585
Administration fees	127	124
Independent Review Committee costs	2	3
GST/HST	153	217
TOTAL EXPENSES	1 323	1 929
INCREASE (DECREASE) IN NAV	\$ (31 608)	\$ 118 618
INCREASE (DECREASE) IN NAV		
SERIES F	\$ (5 126)	\$ 31 034
SERIES O	\$ (26 482)	\$ 87 584
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ (0.51)	\$ 2.00
SERIES O	\$ (0.51)	\$ 1.96



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (31 608)	\$ 118 618
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(62 269)	(69 897)
Net realized loss (gain) on investments	(12 795)	(16 417)
Change in unrealized loss (gain) on investments	105 457	(34 187)
(Increase) decrease in accrued receivables	2	(1)
Increase (decrease) in accrued payables	(28)	(61)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(434 626)	(350 413)
Proceeds from sale and maturity of investments	480 035	374 885
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	44 168	22 527
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	82 359	108 327
Cash paid on redemption of redeemable units	(126 263)	(130 609)
Distributions paid to holders of redeemable units	(238)	(244)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (44 142)	\$ (22 526)
Net increase (decrease) in cash for the period	26	1
Cash (bank overdraft), beginning of period	128	127
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 154	\$ 128
Interest received (paid)	\$ 86	\$ 44
Dividends received, net of withholding taxes	\$ —	\$ —

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 245 278	\$ 382 349	\$ 1 047 872	\$ 814 076	\$ 1 293 150	\$ 1 196 425
INCREASE (DECREASE) IN NAV	(5 126)	31 034	(26 482)	87 584	(31 608)	118 618
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	2 294	7 590	122 387	258 746	124 681	266 336
Reinvestments of distributions to holders of redeemable units	9 060	12 504	56 209	56 020	65 269	68 524
Redemption of redeemable units	(56 258)	(175 691)	(111 967)	(112 294)	(168 225)	(287 985)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(44 904)	(155 597)	66 629	202 472	21 725	46 875
Distributions from net income	(4 001)	(5 288)	(28 257)	(25 484)	(32 258)	(30 772)
Distributions from net gains	(5 064)	(7 220)	(28 185)	(30 776)	(33 249)	(37 996)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(9 065)	(12 508)	(56 442)	(56 260)	(65 507)	(68 768)
NET INCREASE (DECREASE) IN NAV	(59 095)	(137 071)	(16 295)	233 796	(75 390)	96 725
NAV AT END OF PERIOD	\$ 186 183	\$ 245 278	\$ 1 031 577	\$ 1 047 872	\$ 1 217 760	\$ 1 293 150

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



December 31, 2018

General information (see note 1 in the generic notes)

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

All outstanding Series A units were renamed Series F units effective June 28, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 37.2% (December 31, 2017 – 36.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	27.8	44.8
AA	38.5	28.9
A	18.5	15.8
BBB	14.2	9.3
BB	0.4	0.5
Unrated	0.6	0.7
Total	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2018	December 31 2017
Bonds	37.2	34.7
Canadian Equities	32.0	30.3
Global Equities	30.4	31.2
Cash/Other	0.4	3.8
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 37.2% (December 31, 2017 – 35.9%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2018	December 31 2017
Term to maturity		
Less than 1 year	3.5	2.8
1 – 5 years	37.3	37.0
5 – 10 years	24.0	29.3
> 10 years	35.2	30.9
Total	100.0	100.0

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.7% (December 31, 2017 – 2.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
United States dollar	17.2	17.4
Euro	2.4	2.7
Pound sterling	1.6	2.0
Japanese yen	1.4	1.4
Swiss franc	1.2	1.4
Hong Kong dollar	1.1	1.3
Australian dollar	0.9	0.7
South African rand	0.8	1.0
Indian rupee	0.8	0.6
Danish krone	0.7	0.7
Norwegian krone	0.6	–
New Taiwan dollar	0.5	–
Other currencies	1.3	2.1
Total	30.5	31.3

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.5% (December 31, 2017 – 1.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.



December 31, 2018

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.5	+ or - 0.5

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	1 213 055	–	–	1 213 055
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	4 886	–	4 886
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 213 055	4 886	–	1 217 941
% of total portfolio	99.6	0.4	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	1 288 148	–	–	1 288 148
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	5 595	–	5 595
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 288 148	5 595	–	1 293 743
% of total portfolio	99.6	0.4	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series F	0.50%	0.01%
Series O	n/a*	0.01%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Bond Fund	37.2	4.9	36.0	4.8
Phillips, Hager & North Canadian Equity Underlying Fund	30.4	14.8	30.8	14.7
Phillips, Hager & North Canadian Money Market Fund	1.5	0.9	1.4	1.1
RBC Emerging Markets Equity Fund	4.1	1.2	4.1	1.4
RBC Global Equity Focus Fund	13.1	4.6	13.6	6.0
RBC QUBE Global Equity Fund	13.2	54.6	13.7	60.4

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.



December 31, 2018

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	11 943	19 414
Issued number of units	111	369
Reinvested number of units	484	608
Redeemed number of units	(2 707)	(8 448)
Ending number of units	9 831	11 943
Series O		
Opening units	51 418	41 684
Issued number of units	5 959	12 530
Reinvested number of units	3 006	2 746
Redeemed number of units	(5 463)	(5 542)
Ending number of units	54 920	51 418

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND**

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
1 588 007	Quebecor Inc., Class B	\$ 31 309	\$ 45 639	
689 867	Rogers Communications Inc., Class B	38 446	48 263	
2 293 713	Shaw Communications Inc., Class B	65 045	56 678	
556 327	TELUS Corp.	24 079	25 174	
		<u>158 879</u>	<u>175 754</u>	8.6
Consumer Discretionary				
833 800	Dollarama Inc.	30 214	27 073	
662 200	Gildan Activewear Inc., Class A	25 989	27 442	
		<u>56 203</u>	<u>54 515</u>	2.6
Consumer Staples				
658 657	Alimentation Couche-Tard Inc.	38 238	44 729	
		<u>38 238</u>	<u>44 729</u>	2.2
Energy				
2 807 226	ARC Resources Ltd.	45 126	22 739	
1 281 786	Canadian Natural Resources Ltd.	51 306	42 221	
2 240 927	Cenovus Energy Inc.	28 889	21 512	
2 607 840	Enbridge Inc.	134 371	110 597	
951 017	Keyera Corp.	31 753	24 545	
958 885	Pembina Pipeline Corp.	41 169	38 844	
1 197 979	PrairieSky Royalty Ltd.	30 507	21 168	
1 061 400	Suncor Energy Inc.	49 550	40 471	
633 200	Tourmaline Oil Corp.	14 917	10 752	
1 049 172	TransCanada Corp.	61 597	51 147	
508 200	Vermilion Energy Inc.	21 664	14 616	
4 318 300	Whitecap Resources Inc.	39 195	18 785	
		<u>550 044</u>	<u>417 397</u>	20.4
Financials				
895 292	Bank of Montreal	86 434	79 851	
1 486 283	Bank of Nova Scotia	102 879	101 142	
1 450 831	Brookfield Asset Management Inc., Class A	67 143	75 907	
344 912	Canadian Imperial Bank of Commerce	36 793	35 071	
2 802 489	Element Fleet Management Corp.	27 243	19 365	
56 735	Fairfax Financial Holdings Ltd.	34 781	34 097	
479 828	Intact Financial Corp.	46 877	47 594	
2 699 513	Manulife Financial Corporation	54 866	52 290	
1 245 523	Royal Bank of Canada*	104 840	116 382	
1 004 265	Sun Life Financial Inc.	48 037	45 483	
1 533 091	Toronto-Dominion Bank	90 252	104 036	
		<u>700 145</u>	<u>711 218</u>	34.7

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
810 465	Canadian National Railway Co.	\$ 75 625	\$ 81 946	
179 719	Canadian Pacific Railway Ltd.	36 221	43 535	
453 511	Ritchie Bros. Auctioneers Inc.	18 342	20 254	
461 800	SNC-Lavalin Group Inc.	25 941	21 206	
1 385 800	Stantec Inc.	45 736	41 449	
485 675	Thomson Reuters Corp.	25 439	32 021	
355 300	Waste Connections Inc.	24 875	36 003	
		<u>252 179</u>	<u>276 414</u>	13.5
Information Technology				
497 300	CGI Group Inc., Class A	29 643	41 525	
21 200	Constellation Software Inc.	12 761	18 526	
753 820	Open Text Corp.	31 203	33 545	
		<u>73 607</u>	<u>93 596</u>	4.6
Materials				
339 339	CCL Industries, Class B	16 931	16 987	
303 300	Nutrien Ltd.	21 163	19 448	
		<u>38 094</u>	<u>36 435</u>	1.8
Real Estate				
467 882	Allied Properties Real Estate Investment Trust	16 442	20 737	
1 504 371	Brookfield Property Partners LP	41 917	33 126	
1 921 992	Choice Properties Real Estate Investment Trust	22 949	22 141	
2 338 628	First Capital Realty Inc.	47 149	44 083	
		<u>128 457</u>	<u>120 087</u>	5.8
Utilities				
980 978	Brookfield Infrastructure Partners LP	44 043	46 253	
1 129 679	Fortis Inc.	47 582	51 412	
		<u>91 625</u>	<u>97 665</u>	4.8
TOTAL CANADIAN EQUITIES		<u>2 087 471</u>	<u>2 027 810</u>	99.0
SHORT-TERM INVESTMENTS†		<u>34 986</u>	<u>34 986</u>	1.7
TOTAL INVESTMENTS		<u>\$2 122 457</u>	<u>2 062 796</u>	100.7
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>(14 139)</u>	(0.7)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$2 048 657</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.63% to 1.70% and mature between January 3, 2019 and April 4, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 2 062 796	\$ 1 738 061
Cash	2 219	1 666
Due from investment dealers	178	1 899
Subscriptions receivable	10	23
Dividends receivable, interest accrued and other assets	5 479	4 010
TOTAL ASSETS	2 070 682	1 745 659
LIABILITIES		
Due to investment dealers	21 767	396
Redemptions payable	151	25
Distributions payable	7	—
Accounts payable and accrued expenses	100	81
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	22 025	502
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 048 657	\$ 1 745 157
Investments at cost	\$ 2 122 457	\$ 1 545 476
NAV		
SERIES F	\$ 1 689	\$ —
SERIES O	\$ 2 046 968	\$ 1 745 157
NAV PER UNIT		
SERIES F	\$ 8.68	\$ —
SERIES O	\$ 11.14	\$ 12.56

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 71 529	\$ 45 635
Interest for distribution purposes	434	208
Income from investment trusts	1 493	1 471
Net realized gain (loss) on investments	26 898	2 962
Change in unrealized gain (loss) on investments	(252 246)	68 268
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(151 892)	118 544
Securities lending revenue (see note 7 in the generic notes)	170	12
Net gain (loss) on foreign cash balances	(19)	50
TOTAL OTHER INCOME (LOSS)	151	62
TOTAL INCOME (LOSS)	(151 741)	118 606
EXPENSES (see notes – Fund Specific Information)		
Management fees	1	—
Administration fees	1 042	821
Independent Review Committee costs	2	1
GST/HST	130	83
Transaction costs	996	852
TOTAL EXPENSES	2 171	1 757
INCREASE (DECREASE) IN NAV	\$ (153 912)	\$ 116 849
INCREASE (DECREASE) IN NAV		
SERIES F	\$ (84)	\$ —
SERIES O	\$ (153 828)	\$ 116 849
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ (1.45)	\$ —
SERIES O	\$ (0.90)	\$ 0.87



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (153 912)	\$ 116 849
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(26 304)	(2 320)
Change in unrealized loss (gain) on investments	252 246	(68 268)
(Increase) decrease in accrued receivables	(1 469)	(147)
Increase (decrease) in accrued payables	19	5
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 615 332)	(816 159)
Proceeds from sale and maturity of investments	1 087 747	717 794
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(457 005)	(52 246)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	598 080	76 121
Cash paid on redemption of redeemable units	(134 149)	(24 153)
Distributions paid to holders of redeemable units	(6 373)	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 457 558	\$ 51 968
Net increase (decrease) in cash for the period	553	(278)
Cash (bank overdraft), beginning of period	1 666	1 944
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2 219	\$ 1 666
Interest received (paid)	\$ 433	\$ 182
Dividends received, net of withholding taxes	\$ 70 061	\$ 45 514

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ —	\$ —	\$ 1 745 157	\$ 1 576 375	\$ 1 745 157	\$ 1 576 375
INCREASE (DECREASE) IN NAV	(84)	—	(153 828)	116 849	(153 912)	116 849
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	2 455	—	597 026	76 111	599 481	76 111
Reinvestments of distributions to holders of redeemable units	39	—	85 280	49 967	85 319	49 967
Redemption of redeemable units	(682)	—	(135 007)	(24 178)	(135 689)	(24 178)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 812	—	547 299	101 900	549 111	101 900
Distributions from net income	(16)	—	(65 971)	(46 594)	(65 987)	(46 594)
Distributions from net gains	(23)	—	(25 689)	(3 373)	(25 712)	(3 373)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(39)	—	(91 660)	(49 967)	(91 699)	(49 967)
NET INCREASE (DECREASE) IN NAV	1 689	—	301 811	168 782	303 500	168 782
NAV AT END OF PERIOD	\$ 1 689	\$ —	\$ 2 046 968	\$ 1 745 157	\$ 2 048 657	\$ 1 745 157

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



December 31, 2018

General information (see note 1 in the generic notes)

The Fund seeks to provide a high and sustainable level of income, with the potential for capital appreciation and an emphasis on stable returns, by investing primarily in dividend-paying Canadian common shares and, to a lesser extent, preferred shares and bonds.

Series F units were started August 16, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	34.7	36.6
Energy	20.4	20.6
Industrials	13.5	9.3
Communication Services	8.6	2.8
Real Estate	5.8	7.0
Utilities	4.8	3.4
Information Technology	4.6	5.4
Consumer Discretionary	2.6	7.3
Consumer Staples	2.2	2.2
Materials	1.8	2.5
Cash/Other	1.0	2.9
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.0

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

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	2 027 810	–	–	2 027 810
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	34 986	–	34 986
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 027 810	34 986	–	2 062 796
% of total portfolio	98.3	1.7	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 694 919	–	–	1 694 919
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	43 142	–	43 142
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 694 919	43 142	–	1 738 061
% of total portfolio	97.5	2.5	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series F	0.60%	0.10%
Series O	n/a*	0.05%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2018	December 31 2017
Units held		
Series F	154	–
Value of all units	1	–



**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND**

December 31, 2018

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	—	—
Issued number of units	266	—
Reinvested number of units	4	—
Redeemed number of units	(75)	—
Ending number of units	195	—
Series O		
Opening units	139 000	130 572
Issued number of units	48 473	6 326
Reinvested number of units	7 335	4 066
Redeemed number of units	(11 068)	(1 964)
Ending number of units	183 740	139 000

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	996	100	852	100
Related-party brokerage commissions*	110	11	71	8
Commission arrangements†	74	7	89	10

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	62 035	58 460
Fair value of collateral received	63 275	59 630

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	227	100	16	100
RBC IS (paid)	(57)	(25)	(4)	(25)
Tax withheld	—	—	—	—
Fund revenue	170	75	12	75

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North LifeTime 2015 Fund	—	—
Phillips, Hager & North LifeTime 2020 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2025 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2030 Fund	—	—
Phillips, Hager & North LifeTime 2035 Fund	—	—
RBC Retirement 2020 Portfolio	0.1	0.1
RBC Retirement 2025 Portfolio	0.1	0.1
RBC Retirement 2030 Portfolio	0.1	0.1
RBC Retirement 2035 Portfolio	0.1	—
RBC Retirement 2040 Portfolio	0.1	—
RBC Retirement 2045 Portfolio	—	—
RBC Retirement 2050 Portfolio	—	—
RBC Retirement Income Solution	—	—
RBC Select Conservative Portfolio	59.1	66.4
RBC Select Very Conservative Portfolio	20.8	26.1
RBC Total Return Growth Fund	—	—
Total	80.6	93.0



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PENSION TRUST

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
115 209	Quebecor Inc., Class B	\$ 2 407	\$ 3 311	
27 469	Rogers Communications Inc., Class B	1 448	1 922	
309 834	Shaw Communications Inc., Class B	8 518	7 656	
48 152	TELUS Corp.	2 029	2 179	
		14 402	15 068	3.8
Consumer Discretionary				
151 360	Dollarama Inc.	5 060	4 915	
95 211	Gildan Activewear Inc., Class A	3 587	3 946	
29 101	Restaurant Brands International Inc.	1 746	2 075	
		10 393	10 936	2.8
Consumer Staples				
149 164	Alimentation Couche-Tard Inc.	8 162	10 130	
		8 162	10 130	2.6
Energy				
296 735	ARC Resources Ltd.	4 563	2 404	
331 000	Baytex Energy Corp.	1 404	798	
80 137	Cameco Corp.	1 297	1 241	
319 071	Canadian Natural Resources Ltd.	12 838	10 509	
461 233	Cenovus Energy Inc.	6 220	4 427	
460 803	Enbridge Inc.	22 609	19 542	
94 638	Keyera Corp.	3 160	2 442	
143 424	Pembina Pipeline Corp.	6 086	5 809	
164 067	PrairieSky Royalty Ltd.	4 148	2 898	
280 812	Suncor Energy Inc.	12 200	10 706	
156 865	Tourmaline Oil Corp.	4 063	2 663	
168 804	TransCanada Corp.	9 744	8 229	
372 529	Whitecap Resources Inc.	3 220	1 621	
		91 552	73 289	18.7
Financials				
145 965	Bank of Montreal	13 733	13 019	
256 676	Bank of Nova Scotia	17 991	17 467	
261 635	Brookfield Asset Management Inc., Class A	11 858	13 689	
46 253	Canadian Imperial Bank of Commerce	5 084	4 703	
222 938	Element Fleet Management Corp.	2 460	1 541	
8 420	Fairfax Financial Holdings Ltd.	5 254	5 060	
46 936	Intact Financial Corp.	4 603	4 656	
550 839	Manulife Financial Corporation	12 075	10 670	
321 254	Royal Bank of Canada*	27 644	30 018	
192 943	Sun Life Financial Inc.	9 594	8 738	
389 148	Toronto-Dominion Bank	23 353	26 408	
		133 649	135 969	34.7

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
402 938	Bombardier Inc., Class B	\$ 1 607	\$ 818	
145 181	Canadian National Railway Co.	12 883	14 679	
16 968	Canadian Pacific Railway Ltd.	3 433	4 110	
93 513	SNC-Lavalin Group Inc.	5 218	4 294	
53 948	Stantec Inc.	1 875	1 614	
56 311	Thomson Reuters Corp.	2 918	3 713	
52 322	Waste Connections Inc.	3 930	5 302	
		31 864	34 530	8.8
Information Technology				
94 039	CGI Group Inc., Class A	5 770	7 852	
2 764	Constellation Software Inc.	1 777	2 415	
117 702	Open Text Corp.	4 785	5 238	
		12 332	15 505	4.0
Materials				
55 764	Agnico Eagle Mines Ltd.	2 691	3 073	
91 863	Alamos Gold Inc., Class A	738	451	
405 936	B2Gold Corp.	1 475	1 620	
142 400	Barrick Gold Corp.	2 620	2 624	
185 540	Belo Sun Mining Corp.	133	73	
24 596	CCL Industries, Class B	1 391	1 231	
82 930	Continental Gold Inc.	268	187	
54 650	Detour Gold Corp.	853	630	
49 771	Endeavour Mining Corp.	1 033	1 112	
291 261	First Quantum Minerals Ltd.	3 546	3 216	
24 140	Franco-Nevada Corp.	2 085	2 311	
105 970	Goldcorp Inc.	1 994	1 417	
84 200	IAMGOLD Corporation	608	422	
99 500	Kinross Gold Corp.	507	438	
84 830	Kirkland Lake Gold Ltd.	1 491	3 020	
115 644	Nutrien Ltd.	7 377	7 415	
170 290	OceanaGold Corp.	647	848	
70 920	Semafo Inc.	270	209	
91 503	Teck Resources Ltd., Class B	2 654	2 689	
57 522	Torex Gold Resources Inc.	941	747	
160 293	Turquoise Hill Resources Ltd.	625	361	
65 640	Wheaton Precious Metals Corp.	1 727	1 749	
		35 674	35 843	9.2
Real Estate				
143 047	Brookfield Property Partners LP	3 920	3 150	
100 628	First Capital Realty Inc.	2 024	1 897	
		5 944	5 047	1.3

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
62 537	Brookfield Infrastructure Partners LP	\$ 2 806	\$ 2 949	
106 606	Fortis Inc.	4 488	4 852	
		7 294	7 801	2.0
TOTAL CANADIAN EQUITIES		351 266	344 118	87.9
UNDERLYING FUNDS				
1 413 566	Phillips, Hager & North Small Float Fund*	38 893	41 743	
TOTAL UNDERLYING FUNDS		38 893	41 743	10.7
SHORT-TERM INVESTMENTS†		3 906	3 906	1.0
TOTAL INVESTMENTS		<u>\$ 394 065</u>	389 767	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			1 623	0.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 391 390</u>	100.0

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.70% to 2.16% and mature between January 2, 2019 and January 15, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 389 767	\$ 458 823
Cash	461	477
Due from investment dealers	31	278
Subscriptions receivable	434	391
Dividends receivable, interest accrued and other assets	776	778
TOTAL ASSETS	391 469	460 747
LIABILITIES		
Due to investment dealers	—	104
Redemptions payable	36	34
Distributions payable	35	32
Accounts payable and accrued expenses	8	7
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	79	177
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 391 390	\$ 460 570
Investments at cost	\$ 394 065	\$ 405 385
NAV		
SERIES N	\$ 1	\$ 6
SERIES O	\$ 391 389	\$ 460 564
NAV PER UNIT		
SERIES N	\$ 9.24	\$ 10.69
SERIES O	\$ 7.30	\$ 8.44

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 12 331	\$ 8 121
Interest for distribution purposes	80	36
Income from investment trusts	633	572
Net realized gain (loss) on investments	4 724	7 495
Change in unrealized gain (loss) on investments	(57 736)	7 386
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(39 968)	23 610
Securities lending revenue		
(see note 7 in the generic notes)	25	2
Net gain (loss) on foreign cash balances	—	5
TOTAL OTHER INCOME (LOSS)	25	7
TOTAL INCOME (LOSS)	(39 943)	23 617
EXPENSES (see notes – Fund Specific Information)		
Administration fees	89	69
Independent Review Committee costs	2	3
GST/HST	9	7
Transaction costs	212	174
TOTAL EXPENSES	312	253
INCREASE (DECREASE) IN NAV	\$ (40 255)	\$ 23 364
INCREASE (DECREASE) IN NAV		
SERIES N	\$ 2	\$ 1
SERIES O	\$ (40 257)	\$ 23 363
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES N	\$ 1.20	\$ 0.58
SERIES O	\$ (0.74)	\$ 0.58



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (40 255)	\$ 23 364
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(633)	(572)
Net realized loss (gain) on investments	(4 538)	(7 366)
Change in unrealized loss (gain) on investments	57 736	(7 386)
(Increase) decrease in accrued receivables	2	(265)
Increase (decrease) in accrued payables	1	—
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(432 889)	(542 012)
Proceeds from sale and maturity of investments	449 523	406 607
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	28 947	(127 630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	68 452	164 381
Cash paid on redemption of redeemable units	(97 382)	(36 621)
Distributions paid to holders of redeemable units	(33)	(89)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (28 963)	\$ 127 671
Net increase (decrease) in cash for the period	(16)	41
Cash (bank overdraft), beginning of period	477	436
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 461	\$ 477
Interest received (paid)	\$ 76	\$ 35
Dividends received, net of withholding taxes	\$ 12 338	\$ 7 856

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series N		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 6	\$ 11	\$ 460 564	\$ 309 082	\$ 460 570	\$ 309 093
INCREASE (DECREASE) IN NAV	2	1	(40 257)	23 363	(40 255)	23 364
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	72	13	68 423	164 755	68 495	164 768
Reinvestments of distributions to holders of redeemable units	—	—	19 749	16 216	19 749	16 216
Redemption of redeemable units	(79)	(19)	(97 305)	(36 604)	(97 384)	(36 623)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(7)	(6)	(9 133)	144 367	(9 140)	144 361
Distributions from net income	—	—	(13 071)	(8 466)	(13 071)	(8 466)
Distributions from net gains	—	—	(6 714)	(7 782)	(6 714)	(7 782)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	(19 785)	(16 248)	(19 785)	(16 248)
NET INCREASE (DECREASE) IN NAV	(5)	(5)	(69 175)	151 482	(69 180)	151 477
NAV AT END OF PERIOD	\$ 1	\$ 6	\$ 391 389	\$ 460 564	\$ 391 390	\$ 460 570

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in common shares of Canadian companies, which are chosen primarily for their growth potential.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	34.7	36.5
Energy	18.7	21.9
Underlying Funds	10.7	10.7
Materials	9.2	7.2
Industrials	8.8	5.9
Information Technology	4.0	3.9
Communication Services	3.8	0.9
Consumer Discretionary	2.8	5.8
Consumer Staples	2.6	2.4
Utilities	2.0	1.5
Real Estate	1.3	1.7
Cash/Other	1.4	1.6
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	344 118	–	–	344 118
Underlying funds	41 743	–	–	41 743
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	3 906	–	3 906
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	385 861	3 906	–	389 767
% of total portfolio	99.0	1.0	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	403 749	–	–	403 749
Underlying funds	49 451	–	–	49 451
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	5 623	–	5 623
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	453 200	5 623	–	458 823
% of total portfolio	98.8	1.2	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series N	n/a*	0.02%
Series O	n/a*	0.02%

* Series N and Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series N	105	1
Series O	388	—
Value of all units	4	—

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Small Float Fund	10.7	18.0	10.7	16.7

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2018.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series N		
Opening units	1	1
Issued number of units	6	2
Reinvested number of units	—	—
Redeemed number of units	(7)	(2)
Ending number of units	—	1
Series O		
Opening units	54 545	37 622
Issued number of units	8 349	19 325
Reinvested number of units	2 705	1 920
Redeemed number of units	(11 987)	(4 322)
Ending number of units	53 612	54 545

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	212	100	174	100
Related-party brokerage commissions*	20	9	9	5
Commission arrangements†	8	4	6	3

* See note 8 in the generic notes.

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

**Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)**

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

	December 31 2018	December 31 2017
Fair value of securities loaned	9 004	12 194
Fair value of collateral received	9 184	12 438

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	34	100	3	100
RBC IS (paid)	(9)	(25)	(1)	(25)
Tax withheld	—	(1)	—	—
Fund revenue	25	74	2	75

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North PRiSM Balanced Fund	14.3	10.5
RBC Total Return Growth Fund	—	—
Total	14.3	10.5



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

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
372 398	Quebecor Inc., Class B	\$ 4 342	\$ 10 703	
		4 342	10 703	4.6
Consumer Discretionary				
499 800	Aritzia Inc.	7 482	8 197	
142 052	Great Canadian Gaming Corp.	2 054	6 800	
388 752	Leon's Furniture Ltd.	5 202	5 843	
1 369 600	Real Matters Inc.	7 417	4 520	
409 151	Sleep Country Canada Holdings Inc.	7 409	8 171	
		29 564	33 531	14.4
Consumer Staples				
385 795	Jamieson Wellness Inc.	6 208	8 229	
20 009	Lassonde Industries Inc.	4 846	3 986	
217 800	Maple Leaf Foods Inc.	2 646	5 952	
475 601	Mav Beauty Brands Inc.	6 658	5 079	
44 667	Premium Brands Holdings Corp.	5 335	3 344	
		25 693	26 590	11.4
Energy				
1 322 297	Baytex Energy Corp.	5 700	3 187	
1 179 700	Secure Energy Services Inc.	11 085	8 270	
		16 785	11 457	4.9
Financials				
1 997 097	Element Fleet Management Corp.	14 413	13 800	
2 629 600	The Westaim Corp.	8 150	6 784	
		22 563	20 584	8.9
Industrials				
438 520	Badger Daylighting Ltd.	8 803	14 142	
75 736	Boyd Group Income Fund	3 203	8 554	
141 300	K-Bro Linen Inc.	5 152	4 725	
202 980	Morneau Shepell Inc.	5 442	5 083	
292 934	Richelieu Hardware Ltd.	1 766	6 647	
191 443	Ritchie Bros. Auctioneers Inc.	6 730	8 550	
439 601	Stantec Inc.	12 624	13 148	
186 909	Toromont Industries Ltd.	5 825	10 142	
		49 545	70 991	30.6
Information Technology				
1 412 639	Blackline Safety Corp.	4 238	7 381	
129 174	Kinaxis Inc.	3 693	8 513	
		7 931	15 894	6.8
Materials				
137 509	CCL Industries, Class B	938	6 883	
234 917	Stella-Jones Inc.	7 706	9 305	
		8 644	16 188	7.0

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate				
176 100	Altus Group Ltd.	\$ 5 436	\$ 4 168	
62 665	FirstService Corp.	1 773	5 871	
146 800	Mainstreet Equity Corp.	5 410	6 157	
870 270	Tricon Capital Group Inc.	9 052	8 433	
		21 671	24 629	10.6
TOTAL CANADIAN EQUITIES				
		186 738	230 567	99.2
SHORT-TERM INVESTMENTS*				
		1 949	1 949	0.8
TOTAL INVESTMENTS				
		\$ 188 687	232 516	100.0
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(49)	-
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		\$ 232 467		100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.95% and mature on January 7, 2019.

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 232 516	\$ 294 905
Cash	307	315
Due from investment dealers	155	–
Subscriptions receivable	20	78
Dividends receivable, interest accrued and other assets	447	374
TOTAL ASSETS	233 445	295 672
LIABILITIES		
Redemptions payable	978	42
Accounts payable and accrued expenses	–	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	978	43
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 232 467	\$ 295 629
Investments at cost	\$ 188 687	\$ 185 322
NAV		
SERIES F	\$ 886	\$ 971
SERIES O	\$ 231 581	\$ 294 658
NAV PER UNIT		
SERIES F	\$ 30.59	\$ 33.71
SERIES O	\$ 29.53	\$ 32.54

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 3 455	\$ 3 110
Interest for distribution purposes	132	118
Income from investment trusts	65	252
Net realized gain (loss) on investments	43 241	(7 110)
Change in unrealized gain (loss) on investments	(65 754)	23 917
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(18 861)	20 287
Net gain (loss) on foreign cash balances	–	(1)
TOTAL OTHER INCOME (LOSS)	–	(1)
TOTAL INCOME (LOSS)	(18 861)	20 286
EXPENSES (see notes – Fund Specific Information)		
Management fees	10	9
GST/HST	1	1
Transaction costs	153	245
TOTAL EXPENSES	164	255
INCREASE (DECREASE) IN NAV	\$ (19 025)	\$ 20 031
INCREASE (DECREASE) IN NAV		
SERIES F	\$ (86)	\$ 53
SERIES O	\$ (18 939)	\$ 19 978
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ (2.98)	\$ 1.86
SERIES O	\$ (2.22)	\$ 2.19



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (19 025)	\$ 20 031
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(43 076)	7 413
Change in unrealized loss (gain) on investments	65 754	(23 917)
(Increase) decrease in accrued receivables	(73)	(80)
Increase (decrease) in accrued payables	(1)	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(369 511)	(833 719)
Proceeds from sale and maturity of investments	409 067	840 136
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	43 135	9 865
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	32 723	55 044
Cash paid on redemption of redeemable units	(75 310)	(64 512)
Distributions paid to holders of redeemable units	(556)	(401)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (43 143)	\$ (9 869)
Net increase (decrease) in cash for the period	(8)	(4)
Cash (bank overdraft), beginning of period	315	319
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 307	\$ 315
Interest received (paid)	\$ 133	\$ 117
Dividends received, net of withholding taxes	\$ 3 381	\$ 3 031

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 971	\$ 917	\$ 294 658	\$ 290 835	\$ 295 629	\$ 291 752
INCREASE (DECREASE) IN NAV	(86)	53	(18 939)	19 978	(19 025)	20 031
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	1	1	32 664	48 711	32 665	48 712
Reinvestments of distributions to holders of redeemable units	4	1	3 002	3 023	3 006	3 024
Redemption of redeemable units	—	—	(76 246)	(64 465)	(76 246)	(64 465)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	5	2	(40 580)	(12 731)	(40 575)	(12 729)
Distributions from net income	(4)	(1)	(3 558)	(3 424)	(3 562)	(3 425)
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4)	(1)	(3 558)	(3 424)	(3 562)	(3 425)
NET INCREASE (DECREASE) IN NAV	(85)	54	(63 077)	3 823	(63 162)	3 877
NAV AT END OF PERIOD	\$ 886	\$ 971	\$ 231 581	\$ 294 658	\$ 232 467	\$ 295 629

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



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing generally in a diversified portfolio of common stocks of small-float, high-quality Canadian companies.

All outstanding Series A units were renamed Series F units effective June 28, 2018.

Financial instrument risk and capital management (see note 5 in the generic notes)

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Industrials	30.6	26.5
Consumer Discretionary	14.4	26.6
Consumer Staples	11.4	7.8
Real Estate	10.6	7.0
Financials	8.9	5.9
Materials	7.0	7.8
Information Technology	6.8	6.8
Energy	4.9	8.1
Communication Services	4.6	—
Cash/Other	0.8	3.5
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.8	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	230 567	—	—	230 567
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	1 949	—	1 949
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	230 567	1 949	—	232 516
% of total portfolio	99.2	0.8	—	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	285 482	—	—	285 482
Underlying funds	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	9 423	—	9 423
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	285 482	9 423	—	294 905
% of total portfolio	96.8	3.2	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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

	Management fees	Administration fees
Series F	1.00%	0.00%
Series O	n/a*	0.00%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



December 31, 2018

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

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

	December 31 2018	December 31 2017
Units held		
Series F	39	39
Series O	44	43
Value of all units	2	3

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	1 932
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	29	29
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	29	29
Series O		
Opening units	9 056	9 453
Issued number of units	1 011	1 546
Reinvested number of units	104	93
Redeemed number of units	(2 329)	(2 036)
Ending number of units	7 842	9 056

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	153	100	245	100
Related-party brokerage commissions*	8	5	7	3
Commission arrangements†	11	7	10	4

* See note 8 in the generic notes.

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

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
Phillips, Hager & North Canadian Equity Fund	43.6	42.4
Phillips, Hager & North Canadian Equity Pension Trust	18.0	16.7
Phillips, Hager & North Canadian Equity Plus Pension Trust	3.5	3.6
RBC Total Return Growth Fund	—	—
Total	65.1	62.7

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



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
PLUS PENSION TRUST**

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
EQUITIES				
CANADIAN EQUITIES				
Communication Services				
24 820	Quebecor Inc., Class B	\$ 472	\$ 713	
5 250	Rogers Communications Inc., Class B	172	367	
61 580	Shaw Communications Inc., Class B	1 666	1 522	
9 700	TELUS Corp.	254	439	
		2 564	3 041	3.4
Consumer Discretionary				
29 670	Dollarama Inc.	657	963	
18 700	Gildan Activewear Inc., Class A	603	775	
5 465	Restaurant Brands International Inc.	236	390	
		1 496	2 128	2.4
Consumer Staples				
27 860	Alimentation Couche-Tard Inc.	862	1 892	
		862	1 892	2.1
Energy				
63 000	ARC Resources Ltd.	1 048	510	
64 963	Baytex Energy Corp.	281	157	
15 640	Cameco Corp.	441	242	
62 270	Canadian Natural Resources Ltd.	2 437	2 051	
88 304	Cenovus Energy Inc.	1 305	848	
89 920	Enbridge Inc.	4 274	3 814	
17 952	Keyera Corp.	605	463	
29 170	Pembina Pipeline Corp.	1 200	1 182	
32 700	PrairieSky Royalty Ltd.	833	578	
54 782	Suncor Energy Inc.	2 278	2 089	
32 002	Tourmaline Oil Corp.	901	542	
32 945	TransCanada Corp.	1 885	1 605	
73 700	Whitecap Resources Inc.	646	320	
		18 134	14 401	16.0
Financials				
28 230	Bank of Montreal	2 517	2 518	
49 570	Bank of Nova Scotia	2 909	3 373	
52 210	Brookfield Asset Management Inc., Class A	1 581	2 732	
8 960	Canadian Imperial Bank of Commerce	948	911	
43 370	Element Fleet Management Corp.	549	300	
1 780	Fairfax Financial Holdings Ltd.	1 068	1 070	
9 283	Intact Financial Corp.	884	921	
106 150	Manulife Financial Corporation	2 005	2 056	
62 820	Royal Bank of Canada*	3 653	5 870	
38 870	Sun Life Financial Inc.	1 899	1 760	
75 030	Toronto-Dominion Bank	2 142	5 092	
		20 155	26 603	29.5

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
78 400	Bombardier Inc., Class B	\$ 313	\$ 159	
29 090	Canadian National Railway Co.	1 607	2 941	
3 360	Canadian Pacific Railway Ltd.	662	814	
18 200	SNC-Lavalin Group Inc.	1 023	836	
10 760	Stantec Inc.	374	322	
10 740	Thomson Reuters Corp.	429	708	
10 380	Waste Connections Inc.	673	1 052	
		5 081	6 832	7.6
Information Technology				
18 600	CGI Group Inc., Class A	856	1 553	
590	Constellation Software Inc.	320	516	
22 736	Open Text Corp.	855	1 012	
		2 031	3 081	3.4
Materials				
10 672	Agnico Eagle Mines Ltd.	451	587	
17 524	Alamos Gold Inc., Class A	143	86	
78 834	B2Gold Corp.	306	315	
27 070	Barrick Gold Corp.	520	499	
33 930	Belo Sun Mining Corp.	29	13	
4 450	CCL Industries, Class B	238	223	
15 540	Continental Gold Inc.	100	35	
11 870	Detour Gold Corp.	203	137	
9 715	Endeavour Mining Corp.	196	217	
57 790	First Quantum Minerals Ltd.	784	638	
4 550	Franco-Nevada Corp.	348	436	
20 270	Goldcorp Inc.	474	271	
15 976	IAMGOLD Corporation	116	80	
19 380	Kinross Gold Corp.	101	85	
16 170	Kirkland Lake Gold Ltd.	268	576	
22 284	Nutrien Ltd.	1 407	1 429	
36 050	OceanaGold Corp.	146	180	
14 010	Semafo Inc.	54	41	
17 920	Teck Resources Ltd., Class B	522	527	
11 630	Torex Gold Resources Inc.	227	151	
32 040	Turquoise Hill Resources Ltd.	207	72	
12 110	Wheaton Precious Metals Corp.	339	323	
		7 179	6 921	7.7
Real Estate				
27 710	Brookfield Property Partners LP	757	610	
19 790	First Capital Realty Inc.	396	373	
		1 153	983	1.1
Utilities				
12 610	Brookfield Infrastructure Partners LP	492	595	
21 100	Fortis Inc.	874	960	
		1 366	1 555	1.7
TOTAL CANADIAN EQUITIES		60 021	67 437	74.9

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Staples				
15 840	PepsiCo Inc.	\$ 1 050	\$ 2 389	
		1 050	2 389	2.6
Financials				
24 850	Wells Fargo & Company	603	1 564	
		603	1 564	1.7
Health Care				
6 240	Johnson & Johnson	407	1 099	
3 130	Varex Imaging Corp.	66	101	
6 440	Varian Medical Systems Inc.	387	996	
		860	2 196	2.4
Industrials				
17 730	Emerson Electric Co.	776	1 447	
3 770	Illinois Tool Works Inc.	173	652	
4 260	United Technologies Corp.	323	619	
		1 272	2 718	3.0
Information Technology				
12 670	Cisco Systems Inc.	336	751	
19 910	Microsoft Corp.	622	2 763	
21 880	Oracle Corporation	639	1 349	
		1 597	4 863	5.4
TOTAL UNITED STATES EQUITIES		5 382	13 730	15.1
TOTAL EQUITIES		65 403	81 167	90.0
UNDERLYING FUNDS				
272 723	Phillips, Hager & North Small Float Fund*	3 346	8 054	
TOTAL UNDERLYING FUNDS		3 346	8 054	8.9
SHORT-TERM INVESTMENTS†		1 000	1 000	1.1
TOTAL INVESTMENTS		69 749	90 221	100.0
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		—	24	—
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		—	(697)	(0.8)
TOTAL PORTFOLIO		\$ 69 749	89 548	99.2
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			737	0.8
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 90 285	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 300 Sold CAD 402 @ 0.7467	10-Jan-2019	\$ 8
Bought USD 350 Sold CAD 469 @ 0.7465	10-Jan-2019	9
Bought USD 200 Sold CAD 269 @ 0.7431	10-Jan-2019	3
Bought USD 300 Sold CAD 407 @ 0.7363	10-Jan-2019	2
Bought USD 130 Sold CAD 177 @ 0.7349	10-Jan-2019	1
Bought USD 130 Sold CAD 177 @ 0.7359	01-Feb-2019	1

\$ 24

Contracts	Maturity Date	Unrealized Loss
Bought CAD 10 516 Sold USD 8 126 @ 1.2941	10-Jan-2019	\$ (576)
Bought CAD 268 Sold USD 203 @ 1.3191	10-Jan-2019	(9)
Bought CAD 721 Sold USD 551 @ 1.3089	01-Feb-2019	(30)
Bought CAD 224 Sold USD 170 @ 1.3158	01-Feb-2019	(8)
Bought CAD 3 281 Sold USD 2 461 @ 1.3333	26-Feb-2019	(74)

\$ (697)

TOTAL FOREIGN EXCHANGE

\$ (673)

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.95% to 2.07% and mature between January 3, 2019 and January 7, 2019.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 90 221	\$ 112 888
Cash	457	627
Due from investment dealers	9	69
Subscriptions receivable	102	7
Unrealized gain on foreign exchange contracts	24	17
Dividends receivable, interest accrued and other assets	174	189
TOTAL ASSETS	90 987	113 797
LIABILITIES		
Due to investment dealers	–	25
Redemptions payable	1	160
Unrealized loss on foreign exchange contracts	697	93
Accounts payable and accrued expenses	4	5
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	702	283
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 90 285	\$ 113 514
Investments at cost	\$ 69 749	\$ 75 672
NAV		
SERIES F	\$ 180	\$ 1 513
SERIES O	\$ 90 105	\$ 112 001
NAV PER UNIT		
SERIES F	\$ 78.47	\$ 88.46
SERIES O	\$ 96.29	\$ 108.66

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 2 735	\$ 2 798
Interest for distribution purposes	9	8
Income from investment trusts	124	123
Derivative income	(738)	965
Net realized gain (loss) on investments	6 710	8 194
Change in unrealized gain (loss) on investments	(17 341)	(1 897)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(8 501)	10 191
Securities lending revenue (see note 7 in the generic notes)	5	–
Net gain (loss) on foreign cash balances	24	(19)
TOTAL OTHER INCOME (LOSS)	29	(19)
TOTAL INCOME (LOSS)	(8 472)	10 172
EXPENSES (see notes – Fund Specific Information)		
Management fees	4	7
Administration fees	31	36
Independent Review Committee costs	2	3
GST/HST	3	4
Transaction costs	40	49
Withholding tax	51	57
TOTAL EXPENSES	131	156
INCREASE (DECREASE) IN NAV	\$ (8 603)	\$ 10 016
INCREASE (DECREASE) IN NAV		
SERIES F	\$ (9)	\$ 118
SERIES O	\$ (8 594)	\$ 9 898
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ (0.88)	\$ 6.87
SERIES O	\$ (9.05)	\$ 8.95



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

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (8 603)	\$ 10 016
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(124)	(123)
Net realized loss (gain) on investments	(6 652)	(8 143)
Change in unrealized loss (gain) on investments	17 341	1 897
(Increase) decrease in accrued receivables	15	8
Increase (decrease) in accrued payables	(1)	2
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(40 943)	(90 519)
Proceeds from sale and maturity of investments	53 677	103 206
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	14 710	16 344
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	4 889	5 346
Cash paid on redemption of redeemable units	(19 769)	(21 379)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (14 880)	\$ (16 033)
Net increase (decrease) in cash for the period	(170)	311
Cash (bank overdraft), beginning of period	627	316
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 457	\$ 627
Interest received (paid)	\$ 9	\$ 8
Dividends received, net of withholding taxes	\$ 2 699	\$ 2 749

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



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

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 513	\$ 1 456	\$ 112 001	\$ 117 394	\$ 113 514	\$ 118 850
INCREASE (DECREASE) IN NAV	(9)	118	(8 594)	9 898	(8 603)	10 016
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	362	21	4 622	5 273	4 984	5 294
Reinvestments of distributions to holders of redeemable units	4	29	2 784	2 809	2 788	2 838
Redemption of redeemable units	(1 686)	(82)	(17 924)	(20 564)	(19 610)	(20 646)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 320)	(32)	(10 518)	(12 482)	(11 838)	(12 514)
Distributions from net income	(4)	(29)	(2 784)	(2 809)	(2 788)	(2 838)
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4)	(29)	(2 784)	(2 809)	(2 788)	(2 838)
NET INCREASE (DECREASE) IN NAV	(1 333)	57	(21 896)	(5 393)	(23 229)	(5 336)
NAV AT END OF PERIOD	\$ 180	\$ 1 513	\$ 90 105	\$ 112 001	\$ 90 285	\$ 113 514



December 31, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks that are qualified investments for registered Canadian pension plans. The Fund may also invest a portion of its assets in U.S. and international securities.

All outstanding Series A units were renamed Series F units effective June 28, 2018.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Financials	31.2	33.7
Energy	16.0	18.6
Industrials	10.6	8.2
Underlying Funds	8.9	9.3
Information Technology	8.8	7.6
Materials	7.7	5.9
Consumer Staples	4.7	4.7
Communication Services	3.4	0.8
Consumer Discretionary	2.4	5.1
Health Care	2.4	2.2
Utilities	1.7	1.3
Real Estate	1.1	1.5
Cash/Other	1.1	1.1
Total	100.0	100.0

Currency risk (% of NAV)

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

Other price risk (% impact on NAV)

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

	December 31 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.1

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

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

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

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	81 167	–	–	81 167
Underlying funds	8 054	–	–	8 054
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	1 000	–	1 000
Derivatives – assets	–	24	–	24
Derivatives – liabilities	–	(697)	–	(697)
Total financial instruments	89 221	327	–	89 548
% of total portfolio	99.6	0.4	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	101 757	–	–	101 757
Underlying funds	10 506	–	–	10 506
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	625	–	625
Derivatives – assets	–	17	–	17
Derivatives – liabilities	–	(93)	–	(93)
Total financial instruments	112 263	549	–	112 812
% of total portfolio	99.5	0.5	–	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees
(see note 8 in the generic notes)**

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

	Management fees	Administration fees
Series F	0.50%	0.06%
Series O	n/a*	0.03%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.



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Unconsolidated structured entities (%)
(see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Small Float Fund	8.9	3.5	9.3	3.6

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	12 562
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	17	17
Issued number of units	4	1
Reinvested number of units	—	—
Redeemed number of units	(19)	(1)
Ending number of units	2	17
Series O		
Opening units	1 031	1 147
Issued number of units	43	51
Reinvested number of units	29	26
Redeemed number of units	(167)	(193)
Ending number of units	936	1 031

Transaction costs (\$000s except %)

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	40	100	49	100
Related-party brokerage commissions*	4	10	3	6
Commission arrangements†	2	5	2	4

* See note 8 in the generic notes.

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

Securities lending revenue (\$000s except %)
(see note 7 in the generic notes)

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

	December 31 2018	December 31 2017
Fair value of securities loaned	2 399	2 770
Fair value of collateral received	2 447	2 825

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	6	100	1	100
RBC IS (paid)	(1)	(25)	—	(25)
Tax withheld	—	—	—	—
Fund revenue	5	75	1	75



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**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	24	(697)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	24	(697)
Related amounts not set-off	(24)	24
Collateral (received) pledged	–	–
Net amount	–	(673)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	17	(93)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	17	(93)
Related amounts not set-off	(1)	1
Collateral (received) pledged	–	–
Net amount	16	(92)

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

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1. The Funds

The Funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of Ontario or British Columbia. RBC GAM is the manager and portfolio manager of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. RBC GAM is also the trustee of those Funds governed by the laws of the Province of Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 11, 2019.

The Funds may issue an unlimited number of units in some or all of Series A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H, Series D, Series DZ, Series F, Series FT5, Series FT8, Series I, Series N and Series O.

Series A units have no sales charges and are available to all investors through authorized dealers.

Advisor Series units and Advisor T5 Series units are available to all investors through authorized dealers with an initial sales charge or low-load sales charge option. For certain of the Funds, Advisor Series units and Advisor T5 Series units are available with a deferred sales charge option. Under the initial sales charge option, investors pay a sales charge ranging from 0% to 5% of the amount invested. Under the deferred sales charge or low-load sales charge option, sales charges may be applicable, as described in the Simplified Prospectus.

Series T5 units and Series T8 units have no sales charges and are available to all investors through authorized dealers.

Series H units have no sales charges, have lower fees than Series A units and are only available to investors who invest and maintain the required minimum balance through authorized dealers.

Series D units and Series DZ units have no sales charges and have lower fees than Series A units. Series D units and Series DZ units may be available to investors who have accounts with RBC Direct Investing Inc., Phillips, Hager & North Investment Funds Ltd. (“PH&N IF”) or certain other authorized dealers (primarily discount brokers).

Series F units, Series FT5 units and Series FT8 units have no sales charges and have lower fees than Series A units. Series F units, Series FT5 units and Series FT8 units are only available to investors who have fee-based accounts with their dealer.

Series I units have no sales charges, have lower fees than Series F units, Series FT5 units and Series FT8 units and are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series N units are only available to related mutual funds.

Series O units are only available to large private or institutional investors or dealers. No management fees are payable by the Funds in respect to Series O units. Unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2018 and December 31, 2017, as applicable, and for the 12-month periods ended December 31, 2018 and December 31, 2017, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). The significant accounting policies of the Funds, which are investment entities, are as follows:

Adoption of New Accounting Standards Effective January 1, 2018, the Funds adopted IFRS 9 Financial Instruments. The new standard requires financial assets to be classified as amortized cost and fair value, with changes in fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgment. IFRS 9 also introduces a new expected credit loss impairment model.

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the current or comparative period. The Funds’ financial assets previously designated at FVTPL under IAS 39 Financial Instruments are now mandatorily classified and measured at

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FVTPL. The Funds' financial assets and liabilities previously classified as FVTPL under the held for trading category continue to be classified as held for trading and measured at FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost. There was no material impact on the adoption of the new impairment model.

In addition, certain comparative figures in the Statements of Comprehensive Income have been revised to meet the disclosure requirements on initial application of IFRS 9. Amounts previously recorded as "Net gain (loss) on foreign currencies and other net assets," "Other derivatives" and "Net gain (loss) from futures contracts" are now recorded as "Derivative income." And certain amounts previously recorded as "Other income (loss)" are now recorded as "Income from investment trusts."

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classify their investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds' debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business model objectives. Consequently, all investments are measured at FVTPL. Derivative assets and liabilities are also measured at FVTPL.

The Funds' obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

Offsetting Financial Assets and Liabilities In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds ("ETFs") managed by the manager or an affiliate of the manager ("sponsored funds") and may invest in other funds and ETFs managed by unaffiliated entities ("unsponsored funds"); collectively, "underlying funds." The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

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Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in “Investments at fair value” in the Funds’ Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm’s-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds’ financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment’s assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities, loans and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Options – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in “Net realized gain (loss) on investments.”

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Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” and realized gain or loss on foreign exchange contracts is included in “Derivative income” in the Statements of Comprehensive Income.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Derivative income” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Underlying Funds – Underlying funds that are mutual funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

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Cash Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. Short-Term Corporate Bond Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, RBC \$U.S. Strategic Income Bond Fund, BlueBay Emerging Markets Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income” in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. Short-Term Corporate Bond Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, RBC \$U.S. Strategic Income Bond Fund, BlueBay Emerging Markets Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

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Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

ARS – Argentinian peso	KZT – Kazakhstan tenge
AUD – Australian dollar	MXN – Mexican peso
BRL – Brazilian real	MYR – Malaysian ringgit
CAD – Canadian dollar	NOK – Norwegian krone
CHF – Swiss franc	NZD – New Zealand dollar
CLP – Chilean peso	PEN – Peruvian nuevo sol
CNY – Chinese renminbi	PHP – Philippine peso
COP – Colombian peso	PLN – Polish zloty
CZK – Czech koruna	RON – Romanian leu
DKK – Danish krone	RUB – Russian ruble
EUR – Euro	SEK – Swedish krona
GBP – Pound sterling	SGD – Singapore dollar
HKD – Hong Kong dollar	THB – Thailand baht
HUF – Hungarian forint	TRY – Turkish new lira
IDR – Indonesian rupiah	TWD – New Taiwan dollar
ILS – Israeli new shekel	USD – United States dollar
INR – Indian rupee	UYU – Uruguay peso
JPY – Japanese yen	ZAR – South African rand
KRW – South Korean won	

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds' accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds' assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund's capital, which is its NAV and consists primarily of its financial instruments.

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its

investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of its assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its NAV for the purpose of funding redemptions. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the

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creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

6. Taxes

The Funds qualify as open-ended mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O units. Unitholders of Series O units pay a negotiated fee directly to RBC GAM for investment-counselling services.

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The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, prospectuses, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds, and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, “other fund costs”), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund’s ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

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

spread when unitholders switch between series of funds denominated in different currencies. The Funds also maintain bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Sub-Advisors

RBC Global Asset Management (U.S.) Inc. is the sub-advisor for the RBC \$U.S. Investment Grade Corporate Bond Fund, RBC U.S. Mid-Cap Growth Equity Fund, RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund, RBC U.S. Mid-Cap Value Equity Fund, RBC U.S. Small-Cap Core Equity Fund, RBC U.S. Small-Cap Value Equity Fund and Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund (for a portion of the Fund). RBC Global Asset Management (UK) Limited is the sub-advisor for the RBC Global Bond Fund (for a portion of the Fund), RBC Global Corporate Bond Fund (for a portion of the Fund), RBC U.S. Monthly Income Fund (for a portion of the Fund), RBC Balanced Fund (for the European equity portion of the Fund), RBC Global Balanced Fund (for the European equity portion of the Fund), RBC International Dividend Growth Fund, RBC International Equity Fund (for the European equity portion of the Fund), RBC European Dividend Fund, RBC European Equity Fund, RBC European Mid-Cap Equity Fund, RBC Emerging Markets Dividend Fund, RBC Emerging Markets Equity Fund, RBC Emerging Markets Small-Cap Equity Fund, RBC Global Dividend Growth Fund, RBC Global Dividend Growth Currency Neutral Fund, RBC Global Equity Fund, RBC Global Equity Focus Fund, RBC Vision Global Equity Fund, RBC Vision Fossil Fuel Free Global Equity Fund, Phillips, Hager & North Overseas Equity Fund and Phillips, Hager & North Global Equity Fund. RBC Investment Management (Asia) Limited is the sub-advisor for the RBC Balanced Fund (for the Asian equity portion of the Fund), RBC Global Balanced Fund (for the Asian equity portion of the Fund), RBC Vision Balanced Fund (for the Asian equity portion of the Fund), RBC International Dividend Growth Fund (for the Asian equity portion of the Fund), RBC International Equity Fund (for the Asian equity portion of the Fund), RBC Asian Equity Fund, RBC Asia Pacific Ex-Japan Equity Fund and RBC Japanese Equity Fund. BlueBay Asset Management LLP is the sub-advisor of the BlueBay Global Monthly Income Bond Fund, BlueBay Global

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Sovereign Bond Fund (Canada), BlueBay Global Investment Grade Corporate Bond Fund (Canada), BlueBay European High Yield Bond Fund (Canada), BlueBay Emerging Markets Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada) and BlueBay \$U.S. Global Convertible Bond Fund (Canada).

The sub-advisors earn a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisors are paid by the manager from the management fee paid by the Funds.

Trustee

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and PH&N IF are principal distributors of, or may distribute certain series of units of, the Funds. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H and Series D units.

Custodian

RBC IS is the custodian and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM, RBC IS or Royal Bank (or a combination thereof) are the registrars of the Funds and keep records of who owns the units of the Funds. The registrars also process orders and issue account statements. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Securities Lending Agent

To the extent a Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

RBC Funds and RBC Private Pools**By Phone**Investors: **1-800-463-FUND (3863)**Dealers: **1-800-662-0652****On the Internet**Visit our website at: **www.rbcgam.com/funds**Email us at: **funds.investments@rbc.com****Phillips, Hager & North Funds****By Phone**Investors: **1-800-661-6141**Dealers: **1-800-662-0652****On the Internet**Visit our website at: **www.rbcgam.com/funds**Email us at: **info@phn.com****By Mail**

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