

Annual Information Form

June 27, 2014

Managed by Phillips, Hager & North Investment Management®*

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

MONEY MARKET FUNDS

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

FIXED INCOME FUNDS

Phillips, Hager & North Short Term Bond & Mortgage Fund³
Phillips, Hager & North Bond Fund²
Phillips, Hager & North Community Values Bond Fund²
Phillips, Hager & North Total Return Bond Fund³
Phillips, Hager & North Inflation-Linked Bond Fund²
Phillips, Hager & North High Yield Bond Fund²
Phillips, Hager & North Short Inflation-linked Bond Fund⁴
Phillips, Hager & North Long Inflation-linked Bond Fund⁴

BALANCED FUNDS

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

CANADIAN EQUITY FUNDS

Phillips, Hager & North Dividend Income Fund²
Phillips, Hager & North Canadian Equity Fund²
Phillips, Hager & North Canadian Equity Pension Trust⁴
Phillips, Hager & North Small Float Fund⁵
Phillips, Hager & North Canadian Equity Plus Pension Trust⁵
Phillips, Hager & North Community Values Canadian Equity Fund²
Phillips, Hager & North Canadian Equity Value Fund³
Phillips, Hager & North Canadian Equity Underlying Fund⁴
Phillips, Hager & North Canadian Growth Fund²
Phillips, Hager & North Canadian Income Fund²
Phillips, Hager & North Vintage Fund²

U.S. EQUITY FUNDS

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

INTERNATIONAL AND GLOBAL EQUITY FUNDS

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

TARGET DATE FUNDS

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

BONAVISTA INVESTMENT FUNDS

BonaVista Global Balanced Fund²
BonaVista Canadian Equity Value Fund²

¹ Offering Series D and Series O units only.

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

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

⁴ Offering Series O units only.

⁵ Offering Series A and Series O units only.

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

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

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

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Introduction

RBC Global Asset Management Inc.

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

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

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

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

- › calling us toll-free: for the Pension Trusts (as defined below) at 1-888-880-5588, and for all other Funds at 1-800-661-6141;
- › faxing us toll-free at 1-800-666-9899;
- › emailing us: for the Pension Trusts at *institutions@phn.com*, and for all other Funds at *info@phn.com*; or
- › contacting another dealer who sells our Funds.

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

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

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

When the Funds were created

Each of the Funds was created under the laws of the Province of British Columbia pursuant to an amended and restated master trust agreement dated as of June 20, 2014, as may be further amended and/or restated from time to time (the “Trust Agreement”). They are all open-end mutual funds.

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

PHILLIPS, HAGER & NORTH INVESTMENT FUND	DATE CREATED
Money Market Funds:	
Phillips, Hager & North Canadian Money Market Fund	July 1, 1986
Phillips, Hager & North \$U.S. Money Market Fund	October 22, 1990
Fixed-Income Funds:	
Phillips, Hager & North Short Term Bond & Mortgage Fund	December 15, 1993
Phillips, Hager & North Bond Fund	December 4, 1970
Phillips, Hager & North Community Values Bond Fund	August 26, 2002
Phillips, Hager & North Total Return Bond Fund	June 19, 2000
Phillips, Hager & North Inflation-Linked Bond Fund	June 25, 2009
Phillips, Hager & North High Yield Bond Fund	June 1, 1998
Phillips, Hager & North Short Inflation-linked Bond Fund	January 10, 2011
Phillips, Hager & North Long Inflation-linked Bond Fund	January 10, 2011
Balanced Funds:	
Phillips, Hager & North Monthly Income Fund	December 29, 2009
Phillips, Hager & North Balanced Fund	August 19, 1991
Phillips, Hager & North Balanced Pension Trust	September 23, 1988
Phillips, Hager & North Community Values Balanced Fund	August 26, 2002
Canadian Equity Funds:	
Phillips, Hager & North Dividend Income Fund	June 30, 1977
Phillips, Hager & North Canadian Equity Fund	June 1, 1971
Phillips, Hager & North Canadian Equity Pension Trust ¹	March 17, 1998
Phillips, Hager & North Small Float Fund	February 14, 1994
Phillips, Hager & North Canadian Equity Plus Pension Trust	November 24, 1966
Phillips, Hager & North Community Values Canadian Equity Fund	August 26, 2002
Phillips, Hager & North Canadian Equity Value Fund	December 29, 2009
Phillips, Hager & North Canadian Equity Underlying Fund	January 10, 2011
Phillips, Hager & North Canadian Growth Fund	February 1, 1987

PHILLIPS, HAGER & NORTH INVESTMENT FUND	DATE CREATED
Canadian Equity Funds (cont.):	
Phillips, Hager & North Canadian Income Fund ²	July 31, 2003
Phillips, Hager & North Vintage Fund	April 11, 1986
U.S. Equity Funds:	
Phillips, Hager & North U.S. Dividend Income Fund	May 1, 2002
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	June 25, 2010
Phillips, Hager & North U.S. Equity Fund	September 1, 1964
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	June 22, 2006
Phillips, Hager & North U.S. Growth Fund	September 28, 1992
International and Global Equity Funds:	
Phillips, Hager & North Overseas Equity Fund	December 1, 2000
Phillips, Hager & North Overseas Equity Pension Trust	December 1, 2000
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	June 22, 2006
Phillips, Hager & North Global Equity Fund	September 26, 2000
Phillips, Hager & North Community Values Global Equity Fund	August 26, 2002
Target Date Funds:	
Phillips, Hager & North LifeTime 2015 Fund ³	January 10, 2011
Phillips, Hager & North LifeTime 2020 Fund ⁴	January 10, 2011
Phillips, Hager & North LifeTime 2025 Fund ⁵	January 10, 2011
Phillips, Hager & North LifeTime 2030 Fund ⁶	January 10, 2011
Phillips, Hager & North LifeTime 2035 Fund ⁷	January 10, 2011
Phillips, Hager & North LifeTime 2040 Fund ⁸	January 10, 2011
Phillips, Hager & North LifeTime 2045 Fund ⁹	January 10, 2011
Phillips, Hager & North LifeTime 2050 Fund	June 20, 2014
BonaVista Investment Funds:	
BonaVista Global Balanced Fund	June 22, 2006
BonaVista Canadian Equity Value Fund	June 22, 2006

¹ Until June 2004, units of this Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.

² Until June 2005, units of this Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.

³ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2015 Phillips, Hager & North." The English name of this Fund is unchanged.

⁴ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2020 Phillips, Hager & North." The English name of this Fund is unchanged.

⁵ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2025 Phillips, Hager & North." The English name of this Fund is unchanged.

⁶ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2030 Phillips, Hager & North." The English name of this Fund is unchanged.

⁷ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2035 Phillips, Hager & North." The English name of this Fund is unchanged.

⁸ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2040 Phillips, Hager & North." The English name of this Fund is unchanged.

⁹ On June 25, 2013, the French name of this Fund was changed to "Fonds de retraite CIBLE 2045 Phillips, Hager & North." The English name of this Fund is unchanged.

Material amendments to trust agreements

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

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

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

- › with respect to all Funds, to consolidate the master trust agreements for the Funds into one single master trust agreement for all other Funds;
- › with respect to all Funds, to provide that the portion of the participation fees payable by us pursuant to Ontario Securities Commission Rule 13-502 – *Fees* (and other similar fees payable pursuant to other applicable securities laws) that we determine relate to a Fund, are chargeable to the Fund;
- › with respect to all Funds, to clarify our authority to fix in advance a time and date preceding any meeting of unitholders for the determination of unitholders entitled to notice of the meeting and/or to vote at the meeting;
- › with respect to all Funds other than the U.S. Dividend Income Fund and the Community Values Funds
 - to allow consolidations of units of any series of a Fund that are issued in connection with amounts distributed by the Fund to unitholders (i.e., on the reinvestment of distributions) and redesignations of units of any series of a Fund without notice to unitholders, provided that in the case of redesignations, the redesignation does not adversely affect the pecuniary value of the interests of holders of such units,
 - to eliminate the incorporation by reference into the master trust agreement of the investment policies, practices, objectives and restrictions of the Funds, and the requirement to seek unitholder approval for material changes to those investment policies, practices, objectives and restrictions,
 - to change the quorum for meetings of unitholders from a person we nominate and at least two unitholders holding at least 10% of the outstanding units of the Fund, to a person we nominate and at least two unitholders of the Fund (i.e., regardless of the percentage of outstanding units that they hold), and
 - to clarify that fees and expenses of or associated with any person retained to provide services to the Funds with respect to the selection of the Funds' investments, exercise of voting rights attached to the Funds' investments or related matters are chargeable to the Funds;
- › with respect to the Canadian Money Market Fund, the \$U.S. Money Market Fund, the Short Term Bond & Mortgage Fund, the Bond Fund, the Total Return Bond Fund, the High Yield Bond Fund, the Balanced Fund, the Balanced Pension Trust, the Dividend Income Fund, the Canadian Equity Fund, the Canadian Equity Pension Trust, the Small Float Fund, the Canadian Equity Plus Pension Trust, the U.S. Equity Fund, the Canadian Growth Fund, the U.S. Growth Fund, and the Vintage Fund
 - to permit the fees of investment advisors retained by us to provide investment advisory services in respect of the Funds to be charged to each of the applicable Funds,
 - to provide us with a disclaimer of liability in respect of each of the applicable Funds provided we have acted in good faith and in accordance with our fiduciary duties to the Funds,
 - to protect the trustee for acting upon our instructions in respect of each of the applicable Funds. Previously, the master trust agreement provided that the trustee was entitled to protection in acting upon our instructions in respect of all of the Funds other than those set out above, and

- to provide that the fees and expenses of the trustee will be a charge on and paid from the assets of the applicable Funds;
- › with respect to the Canadian Money Market Fund, the \$U.S. Money Market Fund, the Short Term Bond & Mortgage Fund, the Bond Fund, the Balanced Fund, the Balanced Pension Trust, the Dividend Income Fund, the Canadian Equity Fund, the Canadian Equity Pension Trust, the Small Float Fund, the U.S. Equity Fund, the Canadian Growth Fund, the U.S. Growth Fund and the Vintage Fund
 - to provide that each of these Funds will indemnify the trustee against losses it may incur in connection with the good faith performance of its duties under the master trust agreement, and
 - to provide that each of these Funds will indemnify us against losses we may incur in connection with the good faith performance of our duties under the master trust agreement; and
- › with respect to the High Yield Bond Fund, Canadian Equity Plus Pension Trust and Vintage Fund to remove the requirement for us to call a meeting of unitholders when requested by unitholders of these Funds.

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

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

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

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

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

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

On June 25, 2009, the master trust agreement for the Funds that existed on that date was amended: (i) to create the Inflation-Linked Bond Fund and implement arrangements regarding administrative fees and other fund costs for the Inflation-Linked Bond

Fund; and (ii) consistent with a notice sent to unitholders, to reflect changes to the management fees payable with respect to Series D and F units of the Vintage Fund, and a change to the way that the Vintage Fund pays for its operating expenses.

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

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

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

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

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

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

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

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

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

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

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

Investment restrictions

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

The fundamental investment objective of a Fund may not be changed without the consent of a majority of voting unitholders of the Fund. We can make other changes to the investment strategies and activities of a Fund without the consent of unitholders, subject to any required approval of the Canadian securities regulators and/or the Board of Governors in its role as the independent review committee of a Fund.

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

All Funds – related issuer securities

Generally, the restrictions prevent a Fund from purchasing the securities of a related issuer. A Fund is permitted, however, to purchase the securities of a related issuer if the purchase is made on an exchange on which the securities are listed and traded. This means a Fund can purchase, for example, listed common and preferred shares. RBC GAM has received relief which permits a Fund to purchase debt securities of a related issuer, provided that:

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

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

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

All Funds – principal trading

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

- (i) the transaction occurs in the secondary market;
- (ii) the bid and ask price of the security must be determined by reference to a quote from an independent party if not publicly available; and
- (iii) a purchase must not be executed at a price higher than the ask price and a sale must not be executed at a price which is lower than the bid price.

All Funds – related party underwriting

Generally, a Fund is prohibited from investing in securities in respect of which a related party has acted as underwriter during the distribution and for 60 days thereafter. A Fund is, however, permitted to purchase debt and equity securities in respect of which a related party has acted as underwriter if certain conditions in NI 81-102 are met, including, in respect of equity securities, that a prospectus is filed in respect of the securities. RBC GAM has received relief which permits a Fund to purchase equity securities where a prospectus has not been filed, provided that:

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

RBC GAM has obtained relief which permits a Fund to purchase equity securities distributed in the United States provided that:

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

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

- (i) if the securities are acquired in a distribution,
 - (A) at least one underwriter acting as underwriter in the distribution is not a related dealer;
 - (B) at least one purchaser who is independent and arm's-length to the Fund and the related dealer must purchase at least 5% of the securities distributed under the distribution;
 - (C) the price paid for the securities by the Fund in the distribution shall be no higher than the lowest price paid by any of the arm's-length purchasers who participate in the distribution; and
 - (D) the Fund and any related funds offered under a prospectus for which RBC GAM or its affiliate or associate acts as manager and/or portfolio advisor can collectively acquire no more than 20% of the securities distributed under the distribution in which a related dealer acts as underwriter;

- (ii) if the securities are acquired in the 60-day period,
- (A) the ask price of the securities is readily available as provided in Commentary 7 to section 6.1 of NI 81-107;
 - (B) the price paid for the securities by a Fund is not higher than the available ask price of the security; and
 - (C) the purchase is subject to market integrity requirements as defined in NI 81-107.

Inter-fund trades

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

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

Board of Governors review

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

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

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

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

Additional information about the members of the Board of Governors is disclosed under the heading *Board of Governors* on page 47.

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

The Funds (other than money market funds) have received an exemption from the securities regulatory authorities to extend the category of investments that constitute cash cover for specified derivatives entered into by such Funds to include certain

liquid fixed-income securities that have a remaining term to maturity of 365 days or less, floating rate securities that have an interest rate reset no later than every 185 days and securities of the RBC money market funds.

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

All Funds – German exchange traded funds

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

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

Investing in the Funds

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

Series C units are available for investment by investors who purchase units from authorized third-party dealers. Series C units may only be purchased, switched or redeemed through authorized third-party dealers. The Funds pay us management fees with respect to Series C units. A portion of the management fee that is charged to the Funds may be paid by us to the dealer as an ongoing service fee known as a “trailing commission.”

Advisor Series units are available to investors who purchase units from authorized third-party dealers. Advisor Series units may only be purchased, switched or redeemed through authorized third-party dealers. The Funds pay us management fees

with respect to Advisor Series units. A portion of the management fee that is charged to the Funds is paid by us to the dealer as a trailing commission. When you invest in Advisor Series units you may choose the initial sales charge or low-load sales charge option. Your dealer may switch your Advisor Series units purchased under the low-load sales charge option into Advisor Series units under the initial sales charge option. However, we do not initiate any such switches.

Series H units are only available to investors who invest and maintain the required minimum balance with authorized dealers, including RBC Dominion Securities Inc. and RBC Direct Investing Inc.

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

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

Series I units are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with us. These investors pay their dealer a fee directly for investment advice or other services. We do not pay any commission to dealers who sell Series I units, which means that we can charge a lower management fee.

Series A units may be purchased, switched or redeemed through us or other authorized dealers. As of the date of this Annual Information Form, Series A units of the Canadian Equity Pension Trust and the Overseas Equity Pension Trust are not available to investors. The Funds pay us a management fee with respect to Series A units.

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

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

Description of units of the Funds

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

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

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

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

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

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

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

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

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

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

Determining the value of your investment

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

Calculation of unit value

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

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

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

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

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

You can get the net asset value of a Fund or the net asset value per unit for a series of a Fund, at no cost, by (i) calling us toll-free at 1-888-880-5588, or by sending an email to institutions@phn.com, for information on the Pension Trusts or (ii) calling us toll-free at 1-800-661-6141, or by sending an email to info@phn.com, for all other Funds.

A Fund's assets

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

- › Cash, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received or receivable, distributions receivable and interest accrued and not yet received, will be valued at their full amount unless it is determined that the cash or other asset is not worth that amount. In such a case, a reasonable value will be determined.
- › Securities quoted in foreign currencies are translated to Canadian dollars using the prevailing rate of exchange as quoted by customary banking sources on the valuation day.
- › If the unit value of a Fund is also expressed in a foreign currency, the value in foreign currency is determined by using the prevailing rate of exchange as quoted by customary banking sources on the valuation day.
- › Bonds, debentures and other obligations are valued by taking the average of the latest available bid and ask quotations on the valuation day. Notes and money market instruments are valued at their current market value on the valuation day. This value may be determined based on the cost of the investments, which approximates market value after taking into account accrued interest which is recorded separately from the investment. If short-term instruments are sold, the difference between the cost and the proceeds (less income previously credited for such security) will be recorded as income, not capital.
- › The value of any security which is listed or dealt in any stock exchange or exchanges is generally determined by taking its latest available sale price of a board lot on the principal stock exchange on which it is listed. However, the following exceptions apply:

- where such sales or records are not available, or if the last such sale is not within the latest available bid and ask quotations on the valuation day, the fair value of the listed security will be determined based on market quotations which are believed to most closely reflect the fair value of the investment;
 - in calculating the value of inter-listed investments, over-the-counter (“OTC”) rather than stock exchange quotations may be used when they appear to reflect more closely the fair value of any particular investment; but if such stock exchange or OTC quotations do not properly reflect the prices which would be received by the Fund upon the disposal of such investments, values may be placed upon such investments which appear to it to reflect most closely the fair value of such investments; and
 - in calculating the value of foreign securities listed or dealt in exchanges outside North America, values will be placed upon such securities which appear to reflect most closely the fair value of such securities. In particular, we or our agent have procedures in place to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. Accordingly, the value calculated on fair valued securities for purposes of calculating a Fund’s net asset value may differ from that security’s most recent closing market price. As a means of evaluating our fair value process, we or our agent will routinely compare closing market prices, the next day’s opening prices in the same markets, and adjusted fair value prices. These procedures are designed to minimize the potential for market timing strategies, which are largely focused on Funds with significant holdings of foreign securities. They may also be used in respect of foreign securities held by an Underlying Fund in which a Fund may invest, indirectly affecting the net asset value of the Fund.
- › Long positions in clearing corporation options, options on futures, OTC options, debt-like securities and listed warrants will be valued at their current market value.
 - › Where a covered clearing corporation option, option on futures or OTC option is written, the premium received by a Fund shall be reflected as a deferred credit which will be valued at an amount equal to the current market value of the clearing corporation option, option on futures or OTC option that would have the effect of closing the position. Any differences resulting from the revaluation will be treated as unrealized gains or losses on investment. The deferred credit will be deducted in arriving at the net asset value of the Fund. The securities, if any, which are the subject of a written clearing corporation option or OTC option will be valued at their current market value.
 - › The value of a futures contract, forward contract or swap will be the gain or loss that would be realized if, on the valuation day, the position in the futures contract, forward contract or swap, as the case may be, were to be closed out unless *daily limits* are in effect, in which case fair value will be determined based on the current market value of the underlying interest.
 - › Margin paid or deposited in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash will be noted as held as margin.
 - › The value of any security which is not listed or dealt in upon any stock exchange is determined at the most recently available sale price on a valuation day, or if such sale price is not available, at a sale price based on relevant market and/or company data that is believed to most closely reflect the fair value of the investment.
 - › In this Annual Information Form, unless otherwise indicated, “current market value” means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the valuation time on the valuation day, provided that, if no sale has taken place on a valuation day, the average of the bid and ask quotations immediately prior to the valuation time on the valuation day shall be used.
 - › The following principles are used to determine the net asset value of mortgages in a Fund’s portfolio:
 - For conventional mortgages, a principal amount is determined that produces a yield equal to the yield of conventional mortgages sold by major lending institutions, if this is known on the valuation day, or that is equal to or not less than 0.25% below the interest rate for comparable mortgages on the valuation day.

- For mortgages guaranteed under the *National Housing Act* (Canada), market value is used.
- For any mortgages that go into arrears, the lower of the face value or market value as determined by a third-party valuation is used.
- › Units of the various Underlying Funds held by a Fund will be valued at their respective unit values on the relevant valuation day.
- › If a valuation day of a Fund is not a business day for a specific market, the prices or quotations of the prior business day will be used to value any asset or liability for such market.
- › Although we or our agent will generally determine the value of the assets of the Funds by following the valuation practices described above, we or our agent have the discretion to value the assets using other methods if we determine that these practices are not appropriate in the circumstances; however, this discretion has not been exercised in the past three years. It may be necessary to exercise such discretion in situations where market prices are not readily available (such as for certain restricted or unlisted securities, warrants and private placements) or securities may not be reliably priced (such as in the case of technical difficulties, trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). We and our agent have policies in place regarding fair valuation and guidelines that provide guidance on how fair value should be determined. The application of fair value pricing represents a good faith determination based upon these guidelines. There can be no assurance that a Fund could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Fund determines its net asset value per unit.

A Fund's liabilities

A Fund's liabilities include:

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

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

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

Rules for determining the price of acquiring and selling a mortgage

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

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

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

lending institution must agree to repurchase the mortgage from the Fund when it benefits the Fund, and we must consider this agreement to justify the difference in the yield.

Each of these valuation methods produces a different mortgage yield:

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

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

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

How we determine the net asset value of mortgages

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

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

Mortgage portfolio analysis

An analysis of the Short Term Bond & Mortgage Fund's mortgage portfolio on December 31, 2013 is set out in the following tables.

Mortgages by type of loan

TYPE	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)
CMHC insured	25	\$35,258	\$36,385
Conventional uninsured	190	\$542,573	\$542,849
Total	215	\$577,831	\$579,234

Mortgages by type of property

TYPE	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)	AMORTIZED COST (000s)
Single-family dwelling or condominium	0	\$0	\$0	\$0
Multi-unit dwelling up to 8 units	42	\$14,181	\$14,163	\$14,194
Multi-unit dwelling more than 8 units	173	\$563,650	\$565,071	\$565,595
Commercial	0	\$0	\$0	\$0
Industrial	0	\$0	\$0	\$0
Total	215	\$577,831	\$579,234	\$579,789

Mortgages by year of maturity as at December 31, 2013

YEAR OF MATURITY	NUMBER OF MORTGAGES	WEIGHTED AVERAGE INTEREST RATE (%)	PRINCIPAL (000s)	MARKET VALUE (000s)
2014	47	3.871%	\$49,245	\$49,510
2015	48	3.821%	\$169,139	\$171,180
2016	29	4.132%	\$55,367	\$56,792
2017	30	3.664%	\$109,890	\$110,245
2018	26	3.749%	\$81,986	\$81,207
2019	32	3.631%	\$85,587	\$83,587
2020	3	4.412%	\$26,617	\$26,713
Total	215		\$577,831	\$579,234

Mortgages by geographic location

PROVINCE	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)
Alberta	13	\$31,395	\$31,489
British Columbia	69	\$139,736	\$141,081
Manitoba	3	\$8,014	\$8,504
New Brunswick	2	\$2,611	\$2,547
Nova Scotia	6	\$13,074	\$13,701

PROVINCE	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)
Ontario	113	\$345,430	\$344,380
Prince Edward Island	3	\$6,248	\$6,199
Quebec	1	\$4,026	\$4,026
Saskatchewan	5	\$27,297	\$27,307
Total	215	\$577,831	\$579,234

Mortgages with installments 90 days or more in arrears

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

Contractual interest rates in groups

INTEREST RATES	NUMBER OF MORTGAGES	PRINCIPAL (000s)	MARKET VALUE (000s)	AMORTIZED COST (000s)
2.50%	1	\$574	\$578	\$574
2.75%	0	\$0	\$0	\$0
3.00%	14	\$87,866	\$87,729	\$88,063
3.25%	23	\$118,003	\$116,704	\$118,386
3.50%	39	\$132,419	\$130,908	\$132,825
3.75%	58	\$55,371	\$55,235	\$55,542
4.00%	18	\$38,355	\$38,726	\$38,495
4.25%	20	\$63,871	\$65,330	\$64,113
4.50%	17	\$44,831	\$45,991	\$45,078
4.75%	10	\$17,703	\$18,270	\$17,780
5.00%	4	\$4,225	\$4,372	\$4,246
5.25%	1	\$1,414	\$1,499	\$1,421
5.50%	5	\$8,731	\$9,304	\$8,778
5.75%	2	\$1,983	\$2,022	\$1,990
6.00%	3	\$2,485	\$2,566	\$2,498
Total	215	\$577,831	\$579,234	\$579,789

Purchases, switches and redemptions

How to buy, redeem and switch

It is up to you and your advisor to determine which series is appropriate for you. Your choice of series may require you to pay different fees.

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

Series C units are available to investors who purchase units from authorized third-party dealers. Series C units may only be purchased, switched or redeemed through authorized third-party dealers.

Series H units are only available to investors who invest and maintain the required minimum balance with authorized dealers, including RBC Dominion Securities Inc. and RBC Direct Investing Inc.

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

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

Series I units are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with us.

Series A units may be purchased, switched or redeemed through us or other authorized dealers. As of the date of this Annual Information Form, Series A units of the Canadian Equity Pension Trust and the Overseas Equity Pension Trust are not available to investors.

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

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

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

Registered dealers include investment professionals such as independent brokers, dealers and mutual fund specialists. We pay trailing commissions to dealers with respect to Series C, Advisor Series, Series H and Series D units.

Advisor Series units

Advisor Series units are available to investors who purchase units from authorized third-party dealers. Advisor Series units may only be purchased, switched or redeemed through authorized third-party dealers.

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

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

- › Initial sales charge (paying when you buy your Advisor Series units) – a negotiable sales charge of between 0% and 5% of the amount you invest is paid to your dealer.

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

All Series

If your balance falls below the minimum required balance for a particular Fund or series, or you otherwise become ineligible to hold a particular Fund or series, we may require you to bring the value of your account up to the minimum, or we may redeem, reclassify or switch your units, as applicable. Where a unitholder is or becomes a citizen or resident of the United States or a resident of any other foreign country, we may require such unitholder to redeem their units if their participation has the potential to cause adverse regulatory or tax consequences for a Fund or other unitholders of a Fund. If we redeem, reclassify or switch your units, the effect will be the same as if you initiated the transaction. For redemptions in non-registered accounts, we may transfer the proceeds to you, and for redemptions in registered plans, we may transfer the proceeds to a registered savings deposit within the plan. We will not give you or your dealer notice prior to taking any action.

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

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

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

Purchases

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

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

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

To buy units through another registered dealer, contact the dealer directly.

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

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

Restrictions on purchases of units of certain Funds

Effective November 26, 2010, units of the High Yield Bond Fund are no longer available for purchase by new investors. Investors who held units of the High Yield Bond Fund on November 26, 2010 can continue to make additional investments into the High Yield Bond Fund. We may maintain capacity for certain investors, including funds managed by RBC GAM or its affiliates, that may invest in the High Yield Bond Fund. Please contact us or your dealer for more information.

Short-term trading

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

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

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

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

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

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

Switching between Funds

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

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

The same rules that apply for buying and redeeming units of the Funds apply to switches. Once we receive your order to switch, we will redeem your units in the Fund from which you are switching and use the proceeds to buy units of the other Fund to which you are switching. There are no fees for switching units of the Funds into units of another investment fund managed by RBC GAM, other than short-term trading fees. Please see *Short-term trading* on page 23.

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

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

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

Redesignations

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

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

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

Redemptions

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

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

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

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

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

If a cheque is requested, we will automatically send your cheque to the address on our file. To deposit the payment directly into your account with a Canadian financial institution via an EFT, enclose a cheque marked “void” with your transaction

request if you have not done so previously. You may also specify that we deposit the payment into your bank account on record. You can expect to receive the money in your bank or trust company account in about three to five business days.

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

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

When you may not be allowed to redeem your units

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

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

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

Fees and expenses

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

We do not reimburse investors directly in respect of management fees. Instead, fees are reimbursed to the Funds, and the Funds are obligated to make corresponding distributions (referred to as management fee distributions) to the qualifying investors. Each investor may choose to receive such distributions from a Fund in cash or as additional units of the Fund. Distributions made by a Fund in respect of reimbursed fees are normally considered distributions of the Fund's net income. However, in some circumstances such distributions may be, in whole or in part, distributions of the Fund's net realized capital gains or returns of capital. Return of capital represents a return to the investor of a portion of their own invested capital. See *Income tax considerations for investors* on page 51.

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

Management of the Funds

Manager and portfolio advisor

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

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

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

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

As principal portfolio advisor, we are responsible for managing the investment portfolios of the Funds directly or through sub-advisors. The fees for sub-advisors related to us are paid by us and not by the Funds. We are responsible for the advice provided to the Funds even if it is provided through a sub-advisor. We have retained Sky Investment Counsel Inc. ("Sky Investment") to act as a sub-advisor with respect to the Overseas Equity Fund and the Overseas Equity Pension Trust, and with respect to the non-North American equity assets of the Community Values Global Equity Fund. Except in certain circumstances, our agreement with Sky Investment may be terminated only by 12 months' prior written notice to the other party. We hold a non-controlling equity interest in Sky Investment. We have retained RBC Global Asset Management (U.S.) Inc. ("RBC GAM U.S.") (an affiliate of RBC GAM) to act as sub-advisor to the U.S. Multi-Style All-Cap Equity Fund. Except in certain circumstances, our agreement with RBC GAM U.S. may be terminated only by 61 days' prior written notice to the other party. You may have difficulty in enforcing any legal rights against RBC GAM U.S. because RBC GAM U.S. is resident outside Canada and all or a substantial portion of its assets are situated outside Canada.

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

How to reach us

You can reach us at no cost by:

- › calling us: for the Pension Trusts at 1-888-880-5588, and for all other Funds at 1-800-661-6141; or
- › faxing us toll-free at 1-800-666-9899.

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

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

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

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

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

RBC GAM directors and executive officers

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

NAME AND MUNICIPALITY OF RESIDENCE	POSITION AND OFFICE HELD WITH RBC GAM	CURRENT PRINCIPAL OCCUPATION
Wayne Bossert Oakville, Ontario	Director	Executive Vice President Sales, Canadian Banking, Royal Bank
Daniel E. Chornous Toronto, Ontario	Director and Chief Investment Officer	Chief Investment Officer, RBC GAM
Douglas Coulter Toronto, Ontario	Director and President, Retail	President, Retail, RBC GAM
Katherine Gibson Toronto, Ontario	Director	Vice President, Finance, Wealth Management & Insurance, Royal Bank
M. George Lewis Toronto, Ontario	Director and Chairman	Group Head, Wealth Management & Insurance, Royal Bank
Frank Lippa Toronto, Ontario	Chief Financial Officer and Chief Operating Officer	Chief Financial Officer and Chief Operating Officer, RBC GAM
John S. Montalbano Vancouver, British Columbia	Director and Chief Executive Officer and Ultimate Designated Person	Chief Executive Officer, RBC Global Asset Management Head, RBC GAM
Lawrence A.W. Neilsen Vancouver, British Columbia	Chief Compliance Officer	Chief Compliance Officer, RBC GAM
Vijay Parmar Toronto, Ontario	Director and Vice President	President, RBC Phillips, Hager & North Investment Counsel Inc.
Richard E. Talbot Toronto, Ontario	Director	Chief Operating Officer of RBC Capital Markets, Royal Bank
Brian M. Walsh West Vancouver, British Columbia	Chief Administrative Officer	Chief Administrative Officer, RBC GAM
Damon G. Williams North Vancouver, British Columbia	Director and President, Institutional	President, Institutional, RBC GAM

NAME AND MUNICIPALITY OF RESIDENCE	POSITION AND OFFICE HELD WITH RBC GAM	CURRENT PRINCIPAL OCCUPATION
Gina Zapras Vaughan, Ontario	Corporate Secretary	Subsidiary Governance Officer, Royal Bank

Each of the people listed above has held his or her current position with RBC GAM (or one of our predecessor amalgamating entities, RBC Asset Management Inc. and/or Phillips, Hager & North Investment Management Ltd.) and his or her principal occupation during the five years preceding the date hereof, except for Katherine Gibson, who prior to November 2010 held various finance positions in Royal Bank; John S. Montalbano, who from 2005 to 2009 was President, Phillips, Hager & North Investment Management Ltd.; Vijay Parmar, who from September 2009 has been President, RBC Phillips, Hager & North Investment Counsel Inc. and prior thereto was Branch Manager and Director, RBC Dominion Securities ("RBC DS"); Brian M. Walsh, who from May 2008 to October 2010 was Chief Financial Officer, Phillips, Hager & North Investment Management Ltd.; and Gina Zapras, who from June 2013 is Corporate Secretary, RBC GAM and prior thereto held various positions with RBC GAM and other affiliates as Subsidiary Governance Officer, Royal Bank.

Responsibility for investment decisions

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

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

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE
Chief Investment Officer	Daniel E. Chornous	Mr. Chornous is Chief Investment Officer, RBC GAM. He has been associated with RBC GAM since 2002.
Canadian equities	Stu Kedwell	Mr. Kedwell is Senior Vice President of RBC GAM and co-head of the Canadian Equities team. He has been associated with RBC GAM since 2002.
	Doug B. Stadelman	Mr. Stadelman is a Portfolio Manager and co-head of the Phillips, Hager & North Canadian Equities team. Prior to joining Phillips, Hager & North in 2007, he had 20 years' related experience with Canadian investment managers and dealers.
	Dennis G. Chan	Mr. Chan is a Portfolio Manager, Canadian Equities, and has been with Phillips, Hager & North since 2005.
	Doug Raymond	Mr. Raymond is Senior Vice President, a Portfolio Manager and co-head of the Canadian Equities team. He has been associated with RBC GAM for over 11 years and has 29 years of experience in equity markets.

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE
Canadian equities (cont.)	Kevin Vandermeer	Mr. Vandermeer is a Senior Portfolio Manager, Canadian Equities. Prior to joining RBC GAM in 2009, he had 10 years of related investment experience with Canadian investment managers.
	Paul A. Balfour	Mr. Balfour is a Portfolio Manager. Prior to joining Phillips, Hager & North in 1998, he had 14 years' investment experience with Canadian investment dealers.
	Scott A. Lysakowski	Mr. Lysakowski is a Portfolio Manager, Canadian Equities. Prior to joining Phillips, Hager & North in 2009, he had seven years' experience as a senior research analyst with RBC Asset Management Inc., a predecessor entity to RBC GAM.
	Warner L. Sulz	Mr. Sulz is a Portfolio Manager, Canadian Equities. Prior to joining Phillips, Hager & North in 2009, he had 16 years' management experience with a Canadian investment manager.
	Andrew Sweeney	Mr. Sweeney is Vice President of RBC GAM. Prior to joining Phillips, Hager & North Investment Management Ltd., one of the predecessor entities of RBC GAM, in 2007, he had 12 years' investment experience with Canadian investment managers.
	Terry Bacinello	Ms. Bacinello is a Vice President and Senior Portfolio Manager. Since 1994, she has been associated with BonaVista Asset Management Ltd., which was amalgamated with RBC GAM in 2013.
	Shanthu David	Mr. David is a Senior Analyst. Prior to joining RBC GAM in 2012, he had eight years of related investment experience with Canadian investment managers.
Foreign equities	Ray Mawhinney	Mr. Mawhinney is a Senior Vice President, Portfolio Manager and heads up the U.S. Equity team. He has been with RBC GAM for 21 years and has managed U.S. equities for a total of 27 years.
	Carl Lytollis	Mr. Lytollis is a Portfolio Manager, U.S. Equities. Prior to joining Phillips, Hager & North in 2005, he had 20 years' investment experience with two other Canadian portfolio managers.
	Andrew Cox	Mr. Cox is a Portfolio Manager, U.S. Equities. Prior to joining Phillips, Hager & North in 2001, he had four years' investment experience with a U.S. investment bank.

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE
Fixed-income	Hanif Mamdani	Mr. Mamdani is Head of Alternative Investments and also leads corporate bond investments with the fixed-income group. Prior to joining Phillips, Hager & North in 1998, he had 10 years' investment experience with two U.S. investment banks.
	Stephen D. Burke	Mr. Burke is a Portfolio Manager, Fixed-Income. Prior to joining Phillips, Hager & North in 2002, he had eight years' investment experience with two Canadian investment managers.
	Bradley H. Woiken	Mr. Woiken is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 1999.
	William F. John	Mr. John is a Portfolio Manager and head of the Fixed-Income team. Prior to joining Phillips, Hager & North, he had six years' investment experience with two international investment banks.
	Kristian R. Sawkins	Mr. Sawkins is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 2002.
	Ryan T. Goulding	Mr. Goulding is a Portfolio Manager, Fixed-Income. Prior to joining Phillips, Hager & North in 2007, he had four years' investment experience with an international investment bank.
	Emil Khimji	Mr. Khimji is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 2007.
	Justin Jacobsen	Mr. Jacobsen is a Portfolio Manager, Fixed-Income, and has been with Phillips, Hager & North since 2006.
Balanced	Karen Kerr	Ms. Kerr is a Portfolio Manager. Prior to joining Phillips, Hager & North in 2005, she had three years' investment experience with a Canadian investment manager.
	Paul Martin	Mr. Martin is a Portfolio Manager. Prior to joining Phillips, Hager & North, he had 12 years' experience with a Canadian investment manager.
Asset-mix	Sarah Riopelle	Ms. Riopelle is a Vice President and Senior Portfolio Manager, Investment Solutions. She has been associated with RBC Asset Management Inc., one of the predecessor entities of RBC GAM, since 2003.

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE
Asset-mix (cont.)	Milos Vukovic	Mr. Vukovic is Vice President, Investment Policy of RBC GAM. He has been associated with RBC Asset Management Inc., one of the predecessor entities of RBC GAM, since 2003.

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

The investment decisions for the Overseas Equity Fund and the Overseas Equity Pension Trust, and for the non-North American equity assets of the Community Values Global Equity Fund are made by our sub-advisor, Sky Investment. Jennifer Witterick is the portfolio manager principally responsible for making investment decisions on behalf of Sky Investment. Ms. Witterick has over 17 years' investment experience, including 12 years focusing on non-North American equity assets.

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

Brokerage arrangements

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

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

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

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

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

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

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

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

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

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

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

For a list of any other dealer, broker or third party which provides research goods and services and/or order execution goods and services, call us, at no cost, for the Pension Trusts, at 1-888-880-5588 and, for all other Funds, 1-800-661-6141, or send an email, for the Pension Trusts, at 1-604-408-6000 and, for all other Funds, 1-800-661-6141, or send an email, for the Pension Trusts, to institutions@phn.com and, for all other Funds, to info@phn.com.

Principal distributors

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

As noted above, RBC GAM acts as the principal distributor of the Short Inflation-linked Bond Fund, the Long Inflation-linked Bond Fund, the Canadian Equity Underlying Fund, the Balanced Pension Trust, the Canadian Equity Pension Trust, the Canadian

Equity Plus Pension Trust, the Overseas Equity Pension Trust and the Small Float Fund. As principal distributor, RBC GAM is responsible for marketing and distributing units of the applicable Funds where permitted under applicable securities laws. The head office of RBC GAM is in Toronto, Ontario.

Trustee and custodian

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

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

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

Registrars

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

Auditor

The auditor of the Funds is Deloitte LLP, Chartered Professional Accountants, located in Toronto, Ontario.

Board of Governors (Independent Review Committee)

The Board of Governors acts as the independent review committee that the Funds and other funds managed by RBC GAM are required to have pursuant to NI 81-107. The Board of Governors reviews and provides input on conflicts of interest matters in respect of RBC GAM and the Funds. The Board of Governors also provides advice to RBC GAM on other issues relating to the management of the Funds. For further information, see the section *Fund governance* on page 47.

Conflicts of interest

Principal holders of securities

(a) Funds

On May 30, 2014, the people, companies or other entities who beneficially owned, directly or indirectly, more than 10% of the outstanding units of a series of the Funds were as follows:

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Canadian Money Market Fund	Advisor	Individual Investor A*	83,124.862	21.5
Canadian Money Market Fund	C	Individual Investor B*	103,551.186	24.1
Canadian Money Market Fund	F	Gryphis Financial Consultants	69,346.972	12.1

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Canadian Money Market Fund	F	Individual Investor C*	75,811.813	13.2
Canadian Money Market Fund	F	Enfield Holdings Ltd.	124,777.965	21.7
Canadian Money Market Fund	F	Gryphis Master	182,350.866	31.8
Canadian Money Market Fund	O	Alliance Account	20,978,584.224	19.6
\$U.S. Money Market Fund	Advisor	Individual Investor D*	1,113.309	10.9
\$U.S. Money Market Fund	Advisor	Individual Investor E*	1,500.136	14.6
\$U.S. Money Market Fund	Advisor	Individual Investor F*	2,503.536	24.4
\$U.S. Money Market Fund	Advisor	Individual Investor G*	4,401.173	43.0
\$U.S. Money Market Fund	C	Individual Investor H*	38,050.868	14.0
\$U.S. Money Market Fund	C	Individual Investor I*	49,003.501	18.0
\$U.S. Money Market Fund	C	Individual Investor J*	70,034.642	25.8
\$U.S. Money Market Fund	F	Individual Investor K*	55,634.080	15.6
\$U.S. Money Market Fund	O	Ticonderoga Investments Inc.	478,112.921	13.5
Short Term Bond & Mortgage Fund	H	Sherbrooke Community	481,775.267	15.8
Short Term Bond & Mortgage Fund	I	Springside Hutterian	277,854.047	12.0
Short Term Bond & Mortgage Fund	O	Phillips, Hager & North PRiSM Balanced Fund	45,950,194.988	13.8
Short Term Bond & Mortgage Fund	O	RBC Select Very Conservative Portfolio	82,772,545.611	24.9
Bond Fund	O	RBC Select Very Conservative Portfolio	161,250,400.859	17.8
Bond Fund	O	RBC Select Conservative Portfolio	208,384,573.689	23.0

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Community Values Bond Fund	0	Phillips, Hager & North Community Values Balanced Fund	1,222,052.277	12.0
Community Values Bond Fund	0	The Diocese of New Westminster	1,730,686.718	17.0
Community Values Bond Fund	0	ELCIC – MAA	3,129,050.734	30.8
Inflation-Linked Bond Fund	0	Southern Railway RPP	255,546.270	16.4
Inflation-Linked Bond Fund	0	Athilii Gwaii Legacy Trust RRB	348,110.347	22.4
Inflation-Linked Bond Fund	0	Gwaii Trust Society RRB	710,565.332	45.7
Short Inflation-linked Bond Fund	0	Capital Funding Alberta Limited	16,798.521	11.8
Short Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2020 Fund	27,429.899	19.3
Short Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2015 Fund	98,053.997	68.9
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2020 Fund	283,967.809	12.3
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2040 Fund	319,702.107	13.9
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2045 Fund	361,527.974	15.7
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2030 Fund	380,107.403	16.5
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2035 Fund	422,007.817	18.3
Long Inflation-linked Bond Fund	0	Phillips, Hager & North LifeTime 2025 Fund	428,379.453	18.6

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Monthly Income Fund	I	Individual Investor L*	115,461.775	10.8
Monthly Income Fund	I	Quadra Equities Ltd.	133,302.694	12.5
Monthly Income Fund	I	White Star Ventures Inc.	161,409.718	15.1
Monthly Income Fund	O	RBC Phillips, Hager & North Monthly Income Fund	184,952,119.532	91.5
Balanced Pension Trust	A	PP for Transferred Employees of CSC at Nortel Networks (CSC-Nortel)	2,166,147.803	10.9
Balanced Pension Trust	A	Deseret Mutual Benefit Administrators	2,919,163.671	14.7
Balanced Pension Trust	A	Computer Sciences Canada – PWC Division	3,154,960.202	15.8
Balanced Pension Trust	A	Sheet Metal Workers Local Union 285 Defined Benefit Plan	3,520,225.241	17.7
Balanced Pension Trust	O	London Life Balanced Pension Trust Fund 3.40PHN	7,648,896.372	15.7
Balanced Pension Trust	O	Alliance Account	29,433,170.326	60.4
Community Values Balanced Fund	F	Individual Investor M*	5,650.248	12.7
Community Values Balanced Fund	F	Evtan Holdings Ltd.	6,800.817	15.3
Community Values Balanced Fund	F	S.D. Johnson Holdings Inc.	9,828.712	22.1
Community Values Balanced Fund	F	Individual Investor N*	15,757.824	35.5
Community Values Balanced Fund	O	McGill University PP – SRI	1,396,619.528	97.3

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Canadian Equity Fund	Advisor	Individual Investor O*	1,282.265	11.8
Canadian Equity Fund	F	Individual Investor P*	10,842.632	16.0
Canadian Equity Fund	O	Alliance Account	1,282,214.655	16.8
Canadian Equity Pension Trust	O	Teachers' RSP	786,294.648	12.2
Canadian Equity Pension Trust	O	Southern Railway RPP	872,122.013	13.5
Canadian Equity Pension Trust	O	Carleton University Endowment Fund	2,712,651.212	42.0
Small Float Fund	A	Individual Investor Q*	7,009.415	20.1
Small Float Fund	A	Individual Investor R*	18,572.637	53.1
Small Float Fund	O	Phillips, Hager & North Canadian Equity Fund	7,079,619.087	60.4
Canadian Equity Plus Pension Trust	A	BMO Group Retirement Services Inc.	12,487.763	16.4
Canadian Equity Plus Pension Trust	A	Concentra Trust ITF Michael Porter RCA Trust	14,765.179	19.4
Canadian Equity Plus Pension Trust	A	RIO Algom Limited	15,150.093	19.9
Canadian Equity Plus Pension Trust	A	The Cumis Group RCA Trust	16,029.492	21.1
Canadian Equity Plus Pension Trust	A	PH&N Group RRSP	17,653.558	23.2
Canadian Equity Plus Pension Trust	O	Alliance Account	1,310,406.072	80.0
Community Values Canadian Equity Fund	Advisor	Individual Investor S*	3,056.263	12.5
Community Values Canadian Equity Fund	Advisor	Individual Investor T*	3,295.087	13.5
Community Values Canadian Equity Fund	C	Individual Investor U*	4,839.589	10.4

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Community Values Canadian Equity Fund	C	Individual Investor V*	5,434.235	11.6
Community Values Canadian Equity Fund	F	3978150 Canada Inc.	2,854.869	10.9
Community Values Canadian Equity Fund	F	Individual Investor W*	6,693.870	25.6
Community Values Canadian Equity Fund	O	The Diocese of New Westminster	509,678.609	25.7
Community Values Canadian Equity Fund	O	Phillips, Hager & North Community Values Balanced Fund	570,761.787	28.8
Canadian Equity Value Fund	O	Lorco Holdings Ltd.	3,462,907.932	11.7
Canadian Equity Underlying Fund	O	RBC Select Growth Portfolio	33,215,778.703	14.9
Canadian Equity Underlying Fund	O	Phillips, Hager & North Balanced Pension Trust	39,415,976.705	17.7
Canadian Equity Underlying Fund	O	RBC Select Conservative Portfolio	48,944,759.007	22.0
Canadian Equity Underlying Fund	O	RBC Select Balanced Portfolio	58,655,724.298	26.4
Canadian Growth Fund	Advisor	Individual Investor X*	877.892	18.5
Canadian Growth Fund	Advisor	Individual Investor Y*	1,076.407	22.7
Canadian Growth Fund	Advisor	Individual Investor Z*	1,458.892	30.8
Canadian Growth Fund	C	Dorjola Holdings Ltd.	9,556.098	11.6
Canadian Growth Fund	C	Individual Investor AA*	9,852.922	12.0
Canadian Growth Fund	F	Individual Investor BB*	1,896.155	14.5
Canadian Growth Fund	F	Individual Investor CC*	2,386.956	18.3

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Canadian Growth Fund	F	Individual Investor DD*	7,725.163	59.1
Canadian Growth Fund	O	RBC Select Aggressive Growth Portfolio	1,249,339.539	12.7
Canadian Growth Fund	O	RBC Select Growth Portfolio	7,311,510.281	74.5
Canadian Income Fund	Advisor	Individual Investor EE*	21,803.941	22.2
Canadian Income Fund	F	Individual Investor FF*	5,653.931	10.8
Canadian Income Fund	O	RBC Managed Payout Solution – Enhanced	14,236,252.466	30.8
Canadian Income Fund	O	RBC Managed Payout Solution	24,438,137.385	52.9
Vintage Fund	Advisor	Individual Investor GG*	602.310	13.5
Vintage Fund	Advisor	Individual Investor HH*	762.021	17.0
Vintage Fund	Advisor	Individual Investor II*	762.021	17.0
Vintage Fund	Advisor	Individual Investor JJ*	1,261.997	28.2
Vintage Fund	C	Individual Investor KK*	7,346.795	15.6
Vintage Fund	C	Individual Investor LL*	11,294.458	24.0
Vintage Fund	F	Individual Investor MM*	10,197.298	16.9
Vintage Fund	O	Individual Investor NN*	20,157.419	11.1
Vintage Fund	O	Individual Investor OO*	25,444.962	14.0
Vintage Fund	O	Individual Investor PP*	41,153.090	22.6
U.S. Dividend Income Fund	F	Individual Investor DD*	35,423.776	10.4
U.S. Multi-Style All-Cap Equity Fund	Advisor	Individual Investor QQ*	6,426.162	12.0
U.S. Multi-Style All-Cap Equity Fund	Advisor	Raytec Sylviculture	10,040.528	18.8

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
U.S. Multi-Style All-Cap Equity Fund	C	Individual Investor RR*	13,433.645	10.4
U.S. Multi-Style All-Cap Equity Fund	O	RBC Select Growth Portfolio	18,666,661.418	16.5
U.S. Multi-Style All-Cap Equity Fund	O	RBC Select Conservative Portfolio	29,634,793.384	26.2
U.S. Multi-Style All-Cap Equity Fund	O	RBC Select Balanced Portfolio	43,163,657.649	38.2
U.S. Equity Fund	O	Phillips, Hager & North Currency-Hedged U.S. Equity Fund	1,584,488.196	10.3
U.S. Equity Fund	O	Phillips, Hager & North Balanced Fund	2,248,685.167	14.6
U.S. Equity Fund	O	Phillips, Hager & North Balanced Pension Trust	2,416,624.465	15.7
Currency-Hedged U.S. Equity Fund	Advisor	Individual Investor SS*	6,559.930	10.2
Currency-Hedged U.S. Equity Fund	Advisor	Individual Investor TT*	7,647.891	11.9
Currency-Hedged U.S. Equity Fund	C	Dorjola Holdings Ltd.	28,846.618	17.0
Currency-Hedged U.S. Equity Fund	D	Individual Investor UU*	83,848.591	10.6
Currency-Hedged U.S. Equity Fund	F	Individual Investor DD*	9,365.691	12.0
Currency-Hedged U.S. Equity Fund	F	Individual Investor VV*	10,158.366	13.0
Currency-Hedged U.S. Equity Fund	F	CKRAM Holdings Inc.	11,608.941	14.8
Currency-Hedged U.S. Equity Fund	F	608025 BC Ltd.	24,970.145	31.9
Currency-Hedged U.S. Equity Fund	O	Phillips, Hager & North PRiSM Balanced Fund	2,537,654.061	39.9
U.S. Growth Fund	Advisor	Individual Investor WW*	2,283.856	13.0
U.S. Growth Fund	Advisor	Individual Investor XX*	5,271.352	30.0

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
U.S. Growth Fund	Advisor	Raj Anand Professional Corp. 2	5,414.180	30.8
U.S. Growth Fund	C	Individual Investor YY*	14,080.249	11.1
U.S. Growth Fund	C	Dorjola Holdings Ltd.	41,242.738	32.5
U.S. Growth Fund	F	Individual Investor ZZ*	3,126.409	12.4
U.S. Growth Fund	F	1268374 Ontario Inc.	5,261.537	20.9
U.S. Growth Fund	F	KCS Family Holdings Inc.	5,689.186	22.6
Overseas Equity Fund	Advisor	341889 Alberta Ltd.	12,854.941	13.6
Overseas Equity Fund	O	U of S Balanced Lifecycle Fund	7,871,906.666	11.3
Overseas Equity Fund	O	Phillips, Hager & North Currency-Hedged Overseas Equity Fund	12,864,167.410	18.5
Overseas Equity Pension Trust	O	Ville De Laval	5,020,321.769	13.3
Overseas Equity Pension Trust	O	Phillips, Hager & North Balanced Pension Trust	5,872,208.514	15.6
Overseas Equity Pension Trust	O	Mittal Canada Inc. – Pension Plan For The Employees Of Mittal Canada Inc.	6,158,490.368	16.3
Overseas Equity Pension Trust	O	Phillips, Hager & North Balanced Fund	7,209,575.326	19.1
Currency-Hedged Overseas Equity Fund	Advisor	Individual Investor AAA*	1,367.086	10.2
Currency-Hedged Overseas Equity Fund	Advisor	Individual Investor BBB*	1,816.386	13.6
Currency-Hedged Overseas Equity Fund	Advisor	Individual Investor CCC*	2,268.426	16.9

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Currency-Hedged Overseas Equity Fund	Advisor	Individual Investor DDD*	2,337.969	17.5
Currency-Hedged Overseas Equity Fund	F	Individual Investor VV*	9,738.153	10.5
Currency-Hedged Overseas Equity Fund	F	CKRAM Holdings Inc.	21,770.028	23.4
Global Equity Fund	Advisor	Individual Investor EEE*	17,649.573	18.6
Global Equity Fund	Advisor	Individual Investor FFF*	19,851.752	21.0
Global Equity Fund	C	Individual Investor GGG*	146,192.987	49.2
Global Equity Fund	F	Individual Investor HHH*	3,132.716	11.6
Global Equity Fund	F	Individual Investor VV*	11,286.654	41.7
Global Equity Fund	O	London Life Global Equity Fund 3.57 PHN	550,966.872	11.0
Global Equity Fund	O	Municipal Insurance Association of British Columbia	829,393.043	16.5
Global Equity Fund	O	Alliance Account	1,725,934.011	34.3
CV Global Equity Fund	Advisor	Individual Investor III*	16,277.966	18.5
CV Global Equity Fund	C	Individual Investor JJJ*	19,622.725	15.2
CV Global Equity Fund	D	Individual Investor KKK*	71,251.974	11.2
CV Global Equity Fund	F	Individual Investor LLL*	5,435.161	12.1
CV Global Equity Fund	F	Individual Investor MMM*	6,915.916	15.5
CV Global Equity Fund	F	Individual Investor NNN*	7,423.918	16.6

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
CV Global Equity Fund	0	Phillips, Hager & North Community Values Balanced Fund	884,663.800	11.6
CV Global Equity Fund	0	RBC Foundation	1,695,292.340	22.2
CV Global Equity Fund	0	Social Housing Canadian Equity Fund	2,493,649.687	32.6
LifeTime 2015 Fund	D	Individual Investor 000*	91,035.349	22.8
LifeTime 2015 Fund	0	Alliance Account	186,857.024	93.9
LifeTime 2020 Fund	0	Alliance Account	353,865.458	95.8
LifeTime 2025 Fund	0	Alliance Account	585,616.711	95.2
LifeTime 2030 Fund	D	Individual Investor PPP*	24,349.419	10.3
LifeTime 2030 Fund	D	Individual Investor QQQ*	30,076.215	12.7
LifeTime 2030 Fund	0	Alliance Account	674,312.654	98.0
LifeTime 2035 Fund	D	Individual Investor RRR*	35,502.319	11.8
LifeTime 2035 Fund	0	Alliance Account	820,233.060	97.3
LifeTime 2040 Fund	D	Individual Investor SSS*	15,499.410	11.2
LifeTime 2040 Fund	0	Alliance Account	853,264.968	98.3
LifeTime 2045 Fund	0	Alliance Account	1,510,493.656	98.7
LifeTime 2050 Fund	D	Capital Funding Alberta Limited	100.000	100.0
LifeTime 2050 Fund	0	Capital Funding Alberta Limited	14,900.000	100.0
BonaVista Global Balanced Fund	Advisor	Individual Investor TTT*	792.624	24.0
BonaVista Global Balanced Fund	Advisor	Individual Investor UUU*	1,955.864	59.2

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
BonaVista Global Balanced Fund	C	Individual Investor VVV*	1,375.281	10.4
BonaVista Global Balanced Fund	C	Individual Investor WWW*	2,625.311	19.8
BonaVista Global Balanced Fund	C	Individual Investor XXX*	8,530.579	64.3
BonaVista Global Balanced Fund	D	Individual Investor YYY*	31,454.433	10.8
BonaVista Global Balanced Fund	F	Individual Investor ZZZ*	1,219.987	96.0
BonaVista Global Balanced Fund	O	Individual Investor AAAA*	2,633.038	12.5
BonaVista Global Balanced Fund	O	Individual Investor BBBB*	2,633.038	12.5
BonaVista Global Balanced Fund	O	Individual Investor CCCC*	15,723.226	74.7
BonaVista Canadian Equity Value Fund	Advisor	Capital Funding Alberta Limited	96.304	100.0
BonaVista Canadian Equity Value Fund	C	Individual Investor DDDD*	1,573.851	15.6
BonaVista Canadian Equity Value Fund	C	Individual Investor EEEE*	2,045.988	20.3
BonaVista Canadian Equity Value Fund	C	Individual Investor FFFF*	2,548.444	25.2
BonaVista Canadian Equity Value Fund	C	Individual Investor GGGG*	3,116.980	30.9
BonaVista Canadian Equity Value Fund	D	Individual Investor HHHH*	55,770.395	10.3
BonaVista Canadian Equity Value Fund	F	Individual Investor IIII*	240.332	32.3
BonaVista Canadian Equity Value Fund	F	Individual Investor JJJJ*	453.501	60.9

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS OWNED	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
BonaVista Canadian Equity Value Fund	0	Treaty 8 Heritage Trust – Long Term	263,881.294	36.8

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

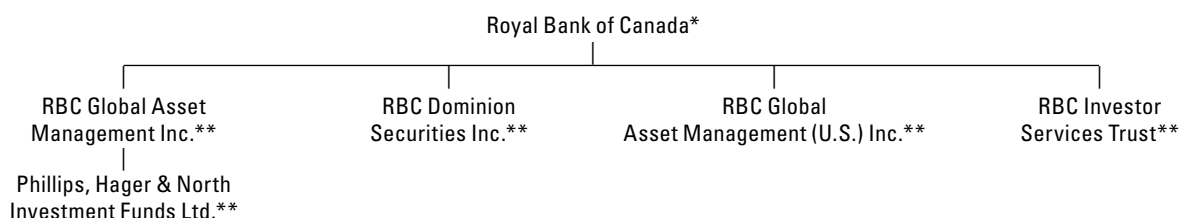
(b) RBC GAM

On May 30, 2014, Royal Bank indirectly beneficially owned 100% of the outstanding common voting shares of RBC GAM and 100% of the outstanding common shares of Phillips, Hager & North Investment Funds Ltd. As at May 30, 2014, the percentage of securities of each class or series of voting or equity securities of Royal Bank beneficially owned, directly or indirectly, in aggregate, by all the directors and senior officers of RBC GAM is no more than 0.09%, and by all members of the Board of Governors, is no more than 0.01%.

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

Affiliated entities

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



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

** Indirect wholly-owned subsidiary.

Phillips, Hager & North Investment Funds Ltd. acts as the principal distributor of Series D units and, in certain circumstances, Series O units of the Funds, other than the Short Inflation-linked Bond Fund, the Long Inflation-linked Bond Fund, the Canadian Equity Underlying Fund, the Balanced Pension Trust, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Overseas Equity Pension Trust and the Small Float Fund, for which RBC GAM acts as the principal distributor. RBC GAM U.S. is our sub-advisor to the U.S. Multi-Style All-Cap Equity Fund. Any fees received from the Funds by these entities will be disclosed in the audited financial statements of the Funds. RBC DS provides brokerage services to the Funds. The fees paid to the above noted affiliated entities are disclosed in the audited financial statements of the Funds.

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

NAME	POSITION WITH RBC GAM	POSITION WITH AFFILIATE
Wayne Bossert	Director	Executive Vice President, Royal Bank; Director, RBC DS
Douglas Coulter	Director and President, Retail	Senior Vice President, Royal Bank; Director, Phillips, Hager & North Investment Funds Ltd.
Katherine Gibson	Director	Vice President, Royal Bank

NAME	POSITION WITH RBC GAM	POSITION WITH AFFILIATE
M. George Lewis	Director and Chairman	Group Head, Wealth Management & Insurance, Royal Bank
John S. Montalbano	Director, Chief Executive Officer and Ultimate Designated Person	Executive Vice President, Royal Bank; Director, Phillips, Hager & North Investment Funds Ltd.
Lawrence A.W. Neilsen	Chief Compliance Officer	Chief Compliance Officer, Phillips, Hager & North Investment Funds Ltd.
Richard E. Talbot	Director	Managing Director, RBC DS; Officer, Royal Bank
Brian M. Walsh	Chief Administrative Officer	Chief Financial Officer and Vice President, Phillips, Hager & North Investment Funds Ltd.
Damon G. Williams	Director and President, Institutional	Senior Vice President, Royal Bank; Director, RBC GAM U.S.
Gina Zapras	Corporate Secretary	Assistant Corporate Secretary, RBC DS

As disclosed in the table above, certain directors or officers of RBC GAM may also be directors or officers of RBC DS, RBC GAM U.S., RBC IS, Phillips, Hager & North Investment Funds Ltd. or a senior officer of Royal Bank. RBC GAM has put into place appropriate policies and procedures to minimize the potential for conflicts between its interests and any affiliated entities. In particular, RBC GAM has policies and procedures which deal with trading in securities of Royal Bank and offerings underwritten by RBC DS, and to ensure that any brokerage business allocated to affiliates will be on the basis of best execution and will be on competitive terms and conditions.

Other matters

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

To ensure efficient trade execution and a better price, when we engage in transactions for larger quantities of securities for a number of Accounts, we group the trade orders together for placement with securities dealers ("block trades"). The client's portfolio manager or the investment fund's manager, in advance of the order being placed with the securities dealers by us, determines the quantity of securities ordered for each Account. We set internal trade order submission deadlines for our portfolio managers for the purposes of making block trades. We use the *pro rata* method to allocate the price of the securities

and the related commission costs for securities purchased or sold on a block basis whether or not an order is partially filled or fully filled. Therefore, all clients and funds participating in a block trade receive the same execution price and commission cost for that block trade.

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

Fund governance

The Board of Governors acts as the independent review committee that each Fund is required to have under Canadian securities laws. See *Board of Governors* below.

Policies, procedures, practices and guidelines

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

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

Compliance with investment practices and investment restrictions mandated by securities legislation is monitored by RBC GAM on a regular basis. The investment practices and restrictions for the Funds and guidelines for derivative use, repurchase transactions and reverse repurchase transactions are outlined beginning on page 50.

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

Board of Governors

The Board of Governors acts as the independent review committee that the Funds and other funds managed by RBC GAM are required to have pursuant to NI 81-107. The Board of Governors also provides independent oversight as required under the terms of certain exemptive relief for certain transactions by certain non-prospectus funds managed by RBC GAM. The Board of Governors also provides advice to RBC GAM on other issues relating to the management of the Funds.

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

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

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

The Board of Governors will also prepare an annual report that describes its activities as the independent review committee of the Funds. For a free copy of this report, call us, for the Pension Trusts, at 1-888-880-5588 and, for all other Funds, at 1-800-661-6141, or ask your dealer. You can also get a copy of this report on our website at www.rbcgam.com or by sending an email, for the Pension Trusts, to institutions@phn.com and, for all other Funds, to info@phn.com.

This report and other information about the Board of Governors are also available at www.sedar.com.

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

NAME	MUNICIPALITY OF RESIDENCE	CURRENT PRINCIPAL OCCUPATION
Selwyn B. Kossuth ^{1,2}	Mississauga, Ontario	Financial Consultant
Charles F. Macfarlane ^{1,2}	Toronto, Ontario	Corporate Director
Lloyd R. McGinnis ⁴	Winnipeg, Manitoba	Director, Airport Site Redevelopment, Winnipeg Airports Authority
Linda S. Petch ^{1,2}	Victoria, British Columbia	Principal, Linda S. Petch Governance Services
Elaine Cousineau Phénix ³	Montréal, Québec	President, Phénix Capital Inc.
Mary C. Ritchie ^{1,2}	Edmonton, Alberta	President and Chief Executive Officer, Richford Holdings Ltd.
Joseph P. Shannon ³	Port Hawkesbury, Nova Scotia	President, Atlantic Corp. Ltd.
Michael G. Thorley ^{1,2}	Toronto, Ontario	Retired Lawyer
James W. Yuel ³	Saskatoon, Saskatchewan	Chair, PIC Investment Group Inc.

¹ Member of the Financial Advisory Committee of the Board of Governors.

² Member of the Investment Conflicts Committee of the Board of Governors.

³ Member of the Governance Committee of the Board of Governors.

⁴ Chair of the Board of Governors.

Proxy voting guidelines

We have developed Proxy Voting Guidelines with the following principles in mind:

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

We consider each matter on a case-by-case basis and may vote in a manner different from that contemplated by the general guidelines where we believe it is appropriate in the circumstances. We utilize the research services of Glass Lewis & Co., LLC and Institutional Shareholder Services, Inc., proxy voting advisory firms, as well as the voting services of Institutional Shareholder Services, Inc.

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

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

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

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

Policies and procedures with respect to Community Values Funds

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

Policies and practices with respect to derivatives

Derivatives may be used in managing certain Funds. A detailed description of the risks related to the use of derivatives for certain Funds can be found in the Simplified Prospectus under the heading *What are the risks of investing in a mutual fund?*

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

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

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

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

RBC GAM is responsible for managing the risks associated with the use of derivatives. RBC GAM has written guidelines that set out the objectives and goals for derivatives trading, which are established and reviewed periodically by the board of directors of RBC GAM as required. In addition, RBC GAM has written control policies and procedures in place that set out the risk management procedures applicable to derivatives trading. These policies and procedures set out specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies ensuring that these functions are performed by individuals independent of those who trade. Limits and controls on derivatives trading are part of RBC GAM's compliance regime. All derivatives transactions are reviewed by a specially trained team that ensures that the derivatives positions of the Funds are within the existing control policies and procedures. As the use of derivatives by the Funds is limited, RBC GAM does not currently conduct simulations to test the portfolio under stress conditions. Derivatives strategies are regularly monitored by RBC GAM management and reviewed by the Financial Advisory Committee of the Board of Governors of the Funds on an annual basis.

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

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

RBC IS or another custodian or sub-custodian of the Funds will act as the agent for the Funds in administering the securities lending, repurchase and reverse repurchase transactions of the Funds in accordance with an agency agreement. The risks associated with these transactions will be managed by requiring that the Fund's agent enter into such transactions, including negotiating agreements, with reputable and well-established Canadian and foreign brokers, dealers and institutions

("counterparties"). The agent will maintain internal controls, procedures and records, including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty, and collateral diversification standards. Each valuation day, the agent will determine the market value of both the securities loaned by a Fund under a securities lending transaction or sold by a Fund under a repurchase transaction or purchased by a Fund under a reverse repurchase transaction and the cash and/or collateral held by the Fund for such transactions. If on any business day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, on the next day the counterparty will be required to provide additional cash or collateral to the Fund to cover the shortfall.

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

Income tax considerations for investors

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

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

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

Each Fund (other than the Canadian Equity Pension Trust, the Overseas Equity Pension Trust, the Canadian Equity Underlying Fund, the Short Inflation-linked Bond Fund, the Long Inflation-linked Bond Fund and the LifeTime Funds) is currently, and is expected to continue to be, a mutual fund trust under the *Income Tax Act* (Canada). The excluded Funds are not currently mutual fund trusts because they do not meet conditions relating to the number of unitholders. Each of the Canadian Equity Pension Trust, the Canadian Equity Underlying Fund, the Short Inflation-linked Bond Fund, the Long Inflation-linked Bond Fund and the LifeTime Funds is (or, in the case of Phillips, Hager & North LifeTime 2050 Fund, is expected to be at all material times) a registered investment under the *Income Tax Act* (Canada).

Taxation of the Funds

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

realized capital gains, so that the Fund will not pay any tax under Part I of the *Income Tax Act* (Canada) (other than alternative minimum tax). A Fund that is not a mutual fund trust under the *Income Tax Act* (Canada) may be subject to alternative minimum tax under the *Income Tax Act* (Canada).

This summary assumes that not more than 50% of the units of any Fund that is not a mutual fund trust under the *Income Tax Act* (Canada), other than Phillips, Hager & North LifeTime 2050 Fund, will at any time be held by one or more “financial institutions”, as defined for purposes of sections 142.3 to 142.7 of the *Income Tax Act* (Canada). If more than 50% (calculated on a fair market value basis) of the units of a Fund are held by one or more unitholders that are considered to be “financial institutions” for the purposes of certain special mark-to-market rules in the *Income Tax Act* (Canada), then that Fund itself will be treated as a financial institution under those special rules. Under those rules, a Fund will be required to recognize at least annually on income account any gains and losses accruing on certain types of debt obligations and equity securities that it holds and also will be subject to special rules with respect to income inclusion on these securities. Any income arising from such treatment will be included in amounts to be distributed to unitholders. If more than 50% of the units of a Fund cease to be held by financial institutions, the tax year of the Fund will be deemed to end immediately before that time and any gains or losses accrued before that time will be deemed realized by the Fund and will be distributed to unitholders. A new taxation year for the Fund will then begin and for that and subsequent taxation years, for so long as not more than 50% of the units of the Fund are held by financial institutions, the Fund will not be subject to these special mark-to-market rules.

Initially, a subsidiary of Royal Bank will hold substantially all the outstanding units of the Phillips, Hager & North LifeTime 2050 Fund. As a result, this Fund will be subject to the special mark-to-market rules described above. If more than 50% of the units of the Fund subsequently cease to be held by a subsidiary of Royal Bank and/or other financial institutions, the taxation year of the Fund will be considered to have ended immediately before that time and any gains or losses accrued to that time will be considered to be realized by the Fund as described above and will be reflected in amounts considered to be distributed in that shortened taxation year to unitholders of the Fund. A new taxation year for the Fund will then begin and for that and subsequent years, for so long as not more than 50% of the units of the Fund are held by financial institutions, the Fund will not be subject to these special mark-to-market rules.

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

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

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

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

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

If at any time in a year a Fund that is not a mutual fund trust under the *Income Tax Act* (Canada) throughout that year has a unitholder that is a “designated beneficiary,” the Fund will be subject to a special tax at the rate of 36% under Part XII.2 of the *Income Tax Act* (Canada) on its “designated income” within the meaning of the *Income Tax Act* (Canada). A “designated beneficiary” includes a non-resident, and “designated income” includes taxable capital gains from dispositions of “taxable Canadian property” and income from business carried on in Canada (which could include gains on certain derivatives). Where a fund is subject to tax under Part XII.2, the Fund may make a designation which will result in unitholders that are designated beneficiaries receiving a tax credit with respect to their share of the Part XII.2 tax paid by the Fund.

Taxation of unitholders

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

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

Where an investor acquires units of a Fund (other than the Canadian Money Market Fund or the \$U.S. Money Market Fund), the purchase price for the units may reflect net income and net realized capital gains which have not been distributed. The investor is subject to tax on his or her share of those amounts when distributed, even though the amounts were reflected in the purchase price paid for the units. Similarly, the investor’s share of capital gains realized after the units were acquired will include the portion of the gains that accrued before the investor acquired the units.

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

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

On a redemption (including a redemption to switch between the Funds) or other disposition of units of a Fund, the unitholder will realize a capital gain to the extent that the proceeds of disposition (net of the short-term trading fee, if applicable) exceed the adjusted cost base of the units plus any cost of disposition, or a capital loss to the extent that the total of the adjusted

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

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

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

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

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

Investment by registered plans

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

Remuneration of directors, officers and trustees

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

For the year ended December 31, 2013, members of the Board of Governors received annual fees and meeting fees in the amount of \$373,613 as well as \$63,395 as reimbursement for expenses in connection with performing their duties for the Funds and certain other prospectus-qualified funds managed by RBC GAM. These fees and expenses are allocated among the funds managed by RBC GAM in a manner that is fair and reasonable.

Material contracts

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

1. Under the terms of the Trust Agreement, RBC GAM acts as manager, portfolio advisor and registrar of each Fund, and RBC IS acts as trustee. The Trust Agreement outlines the powers and duties of the parties, as well as the fees and expenses payable by each Fund, including management and trustee fees, administration fees and operating expenses. The management and administration fees payable by the Funds are described in the Simplified Prospectus.
2. Under an amended and restated custodian agreement dated as of June 20, 2014 between RBC GAM and RBC IS, RBC IS acts as the principal custodian for all Funds. The agreement may be terminated by either party giving notice 90 days in advance.
3. Under an amended and restated principal distributor agreement dated as of April 1, 2009, Phillips, Hager & North Investment Funds Ltd. acts as the principal distributor of the Series D units and, in certain circumstances, Series O units of Funds, other than the Short Inflation-linked Bond Fund, the Long Inflation-linked Bond Fund, the Canadian Equity Underlying Fund, the Balanced Pension Trust, the Canadian Equity Pension Trust, the Canadian Equity Plus Pension Trust, the Overseas Equity Pension Trust and the Small Float Fund, for which RBC GAM acts as the principal distributor. This agreement may be terminated by either party giving 60 days' notice in advance.

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

Legal and administrative proceedings

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

Certificate of the Funds, Manager, Promoter and Principal Distributor

June 27, 2014

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

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

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

(signed) John S. Montalbano

John S. Montalbano
Chief Executive Officer

(signed) Frank Lippa

Frank Lippa
Chief Financial Officer

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

(signed) Damon G. Williams

Damon G. Williams
Director

(signed) Daniel E. Chornous

Daniel E. Chornous
Director

Certificate of Principal Distributor

June 27, 2014

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

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

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

(signed) Mark Neill

Mark Neill
President

Phillips, Hager & North® and BonaVista investment funds

Additional information about each Fund is available in the Funds' management reports of fund performance, Fund Facts and financial statements. You can get a copy of these documents at no cost by calling us toll-free for the Pension Trusts at 1-888-880-5588, and for all other Funds at 1-800-661-6141 or by contacting us at any of the addresses below or by contacting another dealer who sells our Funds. Copies of these documents are also available at www.rbcgam.com.

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

RBC GLOBAL ASSET MANAGEMENT INC.

Head Office

155 Wellington St. W.

Suite 2200

Toronto, Ontario

M5V 3K7

Phillips, Hager & North Investment Management*

Main Operating Office

20th Floor, 200 Burrard Street

Vancouver, British Columbia

V6C 3N5

Tel: 1-800-661-6141

Fax: 1-800-666-9899

Email: info@phn.com

Dealer Services: 1-800-662-0652

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

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