

PHILLIPS, HAGER & NORTH FUNDS

2018 Pension Trusts Interim Report

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BALANCED FUND

**PHILLIPS, HAGER & NORTH
BALANCED PENSION TRUST***June 30, 2018***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 9, 2018.

A Note on Forward-looking Statements

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

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

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

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

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth and income by investing primarily in a strategic asset mix of Canadian and foreign equities, Canadian fixed income securities and money market instruments. Its asset mix is adjusted periodically to reflect changing economic and market conditions. The magnitude and timing of all rebalancing decisions within the Fund are made by a team of investment professionals who focus on determining the best asset mix in any given economic environment. To achieve the Fund's investment objective, the portfolio manager invests a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM where the investment is consistent with the investment objectives and strategies of the Fund.

Results of Operations

The Fund's net asset value was \$1.3 billion as of June 30, 2018.

Over the past six months, the Fund's Series O units gained 2.7%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The first half of 2018 was marked by escalating trade tensions between the U.S. and much of the world, as President Trump made good on his promise to institute billions of dollars in tariffs. Against this backdrop, the global economy decelerated, particularly outside North America. In Europe, investors were concerned by the installation of an Italian government calling for stricter immigration rules and more government spending, while in emerging markets, a stronger U.S. dollar and trade friction raised geopolitical headwinds.

The Fund was positioned close to its neutral weight for most of the period. Global government bonds were mixed in the first half of 2018: U.S. Treasuries recorded losses, German bonds rose and Japanese bonds were generally flat. Canadian bonds posted modest gains, as the trade tensions and slower global economic growth capped interest rates in a period when global central-bank tightening might have been expected to lead to higher long-term bond yields. The U.S. Federal Reserve raised short-term interest rates twice during the period and reduced the size of its balance sheet, while the Bank of Canada boosted its benchmark rate once. The Fund's sole fixed-income holding, the Phillips, Hager & North Bond Fund, had a positive impact on performance.

Canadian and U.S. equity markets posted modest gains in the first half of 2018. Stocks were volatile through June, as euphoria over the late-2017 U.S. tax cuts was offset by concerns about slowing economic growth and rising trade protectionism. Robust earnings growth was a positive for stocks, but higher interest rates and slightly faster inflation weighed on valuations. Emerging-market equities and stocks in Europe and the developed markets of Asia performed less well. In general, equities struggled to make the kind of headway that came so easily last year. The Fund's global and Canadian equity holdings had a positive impact on returns, while the emerging market position held back performance.

Recent Developments

Economic growth slowed in the first half of 2018 but remains at its most solid since the financial crisis amid U.S. fiscal stimulus and business and consumer optimism. The portfolio manager expects continued expansion, encouraging central banks to nudge rates higher and acting as a headwind for bond returns. As a result, the Fund recently moved to an underweight position in fixed income and an overweight position in equities, as the portfolio manager believes that stocks offer more attractive return prospects.

Effective June 28, 2018, Series A units were renamed Series F units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

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

Distributors

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

Registrars

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

Trustee and Custodian

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

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

Securities Lending Agent

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent

Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2018), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRF are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series F												
June 30, 2018	20.54	0.13	(0.06)	0.15	0.28	0.50	(0.02)	(0.03)	–	–	(0.05)	20.97
Dec. 31, 2017	19.70	0.54	(0.12)	0.90	0.68	2.00	(0.17)	(0.27)	(0.63)	–	(1.07)	20.54
Dec. 31, 2016	19.01	0.54	(0.11)	0.64	0.42	1.49	(0.19)	(0.25)	(0.37)	–	(0.81)	19.70
Dec. 31, 2015	19.38	0.57	(0.12)	1.04	(0.48)	1.01	(0.20)	(0.27)	(0.90)	–	(1.37)	19.01
Dec. 31, 2014	18.46	0.51	(0.11)	1.76	0.04	2.20	(0.19)	(0.24)	(0.85)	–	(1.28)	19.38
Dec. 31, 2013	16.49	0.38	(0.10)	0.24	1.74	2.26	(0.16)	(0.14)	–	–	(0.30)	18.46
Series O												
June 30, 2018	20.38	0.12	–	0.15	0.28	0.55	(0.05)	(0.07)	–	–	(0.12)	20.80
Dec. 31, 2017	19.53	0.54	–	0.89	0.53	1.96	(0.21)	(0.32)	(0.63)	–	(1.16)	20.38
Dec. 31, 2016	18.86	0.53	–	0.64	0.42	1.59	(0.24)	(0.31)	(0.37)	–	(0.92)	19.53
Dec. 31, 2015	19.23	0.57	–	1.03	(0.48)	1.12	(0.25)	(0.34)	(0.89)	–	(1.48)	18.86
Dec. 31, 2014	18.30	0.51	–	1.75	0.04	2.30	(0.23)	(0.28)	(0.85)	–	(1.36)	19.23
Dec. 31, 2013	16.32	0.38	–	0.24	1.72	2.34	(0.19)	(0.17)	–	–	(0.36)	18.30

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

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

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2018	20.97	204 381	9 748	0.61	0.61	10.57	0.05
Dec. 31, 2017	20.54	245 278	11 943	0.61	0.61	9.46	0.07
Dec. 31, 2016	19.70	382 349	19 414	0.60	0.60	13.63	0.08
Dec. 31, 2015	19.01	364 023	19 147	0.61	0.61	21.97	0.07
Dec. 31, 2014	19.38	357 027	18 425	0.60	0.60	40.26	0.07
Dec. 31, 2013	18.46	376 545	20 400	0.60	0.60	28.01	0.12
Series O							
June 30, 2018	20.80	1 095 743	52 669	0.04	0.04	10.57	0.05
Dec. 31, 2017	20.38	1 047 872	51 418	0.04	0.04	9.46	0.07
Dec. 31, 2016	19.53	814 076	41 684	0.04	0.04	13.63	0.08
Dec. 31, 2015	18.86	896 919	47 554	0.04	0.04	21.97	0.07
Dec. 31, 2014	19.23	956 262	49 722	0.04	0.04	40.26	0.07
Dec. 31, 2013	18.30	908 067	49 611	0.04	0.04	28.01	0.12

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

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

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

Management Fees

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series F	0.50%	—	100%

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

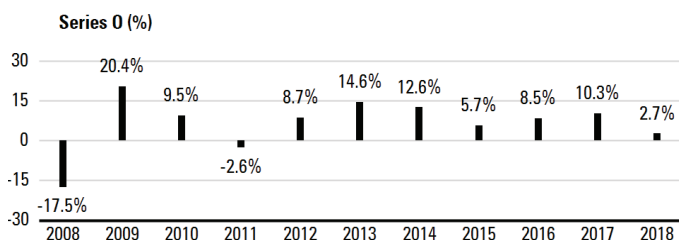
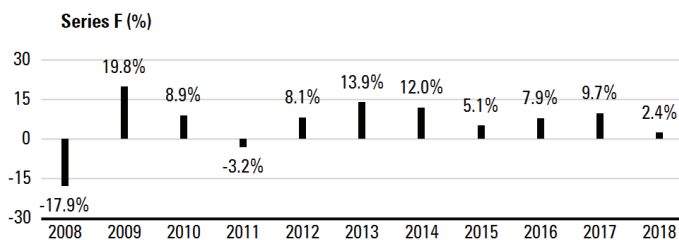
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

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

Year-by-Year Returns (%)

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



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

All outstanding Series A units were renamed Series F units effective June 28, 2018.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2018.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2018

Investment Mix

	% of Net Asset Value
Bonds	36.0
Global Equities	30.8
Canadian Equities	30.2
Cash/Other	3.0

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Bond Fund	36.0
Phillips, Hager & North Canadian Equity Underlying Fund	30.2
RBC Global Equity Focus Fund	13.4
RBC QUBE Global Equity Fund	13.3
RBC Emerging Markets Equity Fund	4.0
Phillips, Hager & North Canadian Money Market Fund	2.5
Cash & Cash Equivalents	0.6
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be viewed at www.rbcgam.com/reports.

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

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CONSERVATIVE EQUITY INCOME FUND***June 30, 2018***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 9, 2018.

A Note on Forward-looking Statements

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

The Fund seeks to provide investors with a high and sustainable level of income by investing primarily in common shares of dividend paying Canadian companies. To achieve the Fund's investment objective, the portfolio manager invests in companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and the potential for strong earnings and dividend growth.

Results of Operations

The Fund's net asset value was \$2.2 billion as of June 30, 2018.

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

The Canadian stock market posted modest gains in the first half of 2018, led by returns in the Energy and Information Technology sectors. However, domestic economic growth slowed and concern about trade protectionism intensified as the period progressed, leading the Bank of Canada to take a more cautious approach toward raising interest rates. The combination of rising borrowing costs, a weaker housing market and uncertainty about the future of the North American Free Trade Agreement conspired to dampen Canadian economic growth. Late in the period, President Trump imposed tariffs on Canadian steel and aluminum. Against this backdrop, equities struggled to make the kind of headway that came so easily last year.

In the Consumer Staples sector, a position in Alimentation Couche-Tard held back the Fund's returns. The Energy sector also weighed on performance, as a position in PrairieSky Royalty had a large negative impact on the Fund during the period.

In the Financials sector, a position in Toronto-Dominion Bank added significantly to returns. Various positions in the Information Technology sector also aided the Fund's performance, with a large contribution from a holding in CGI Corp.

Recent Developments

Expanding valuations have been a significant source of gains for stocks during the decade-long rally, but sustained earnings growth will be critical to drive equities even higher. Earnings have indeed been growing rapidly, helped by U.S. tax cuts, and the positive trend in profits is expected to persist. The portfolio manager believes that as long as economic growth continues and the U.S. Federal Reserve raises rates gradually, stocks are likely to offer decent returns for the rest of 2018. A scenario of strong economic growth is generally good for Canada's resources-reliant stock market.

There are several scenarios that could lead to a more negative outcome for Canadian stocks, the most likely of which are an excessive rise in borrowing costs and/or an escalation of trade protectionism by the Trump administration.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

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

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

Registrars

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Trustee and Custodian

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

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

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND*****Securities Lending Agent***

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$61,000 (2017 – \$21,000), or 12% (2017 – 5%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH CONSERVATIVE
 EQUITY INCOME FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2018), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRF are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series 0												
June 30, 2018	12.56	0.19	–	0.09	(0.15)	0.13	–	(0.16)	–	–	(0.16)	12.49
Dec. 31, 2017	12.07	0.35	(0.01)	0.02	0.51	0.87	(0.01)	(0.34)	(0.02)	–	(0.37)	12.56
Dec. 31, 2016	10.21	0.36	(0.01)	0.38	1.85	2.58	–	(0.34)	(0.22)	–	(0.56)	12.07
Dec. 31, 2015	11.94	0.41	(0.01)	0.25	(1.50)	(0.85)	(0.01)	(0.45)	(0.45)	–	(0.91)	10.21
Dec. 31, 2014	12.05	0.39	(0.01)	1.16	0.13	1.67	–	(0.41)	(1.29)	–	(1.70)	11.94
Dec. 31, 2013	10.66	0.39	(0.01)	0.43	1.35	2.16	–	(0.34)	(0.38)	–	(0.72)	12.04

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

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

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series 0							
June 30, 2018	12.49	2 171 075	173 856	0.06	0.06	20.87	0.05
Dec. 31, 2017	12.56	1 745 157	139 000	0.06	0.06	26.74	0.05
Dec. 31, 2016	12.07	1 576 375	130 572	0.06	0.06	52.18	0.11
Dec. 31, 2015	10.21	117 220	11 479	0.06	0.06	35.35	0.09
Dec. 31, 2014	11.94	214 256	17 951	0.06	0.06	60.46	0.08
Dec. 31, 2013	12.05	197 310	16 381	0.06	0.06	41.88	0.07

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

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

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

Management Fees

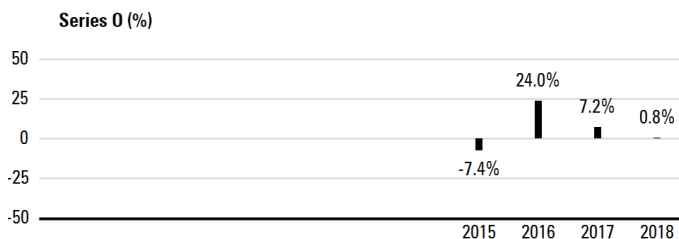
RBC GAM is the manager and portfolio manager of the Fund. No management fees are paid by the Fund with respect to Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND**
PAST PERFORMANCE

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

Year-by-Year Returns (%)

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



Although Series 0 units of the Fund were created in April 2012, units were not offered for sale under a simplified prospectus until June 2015.

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

For the 12-month periods ended December 31 and the six-month period ended June 30, 2018.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2018

Investment Mix

	% of Net Asset Value
Financials	36.9
Energy	19.2
Industrials	10.7
Consumer Discretionary	7.7
Information Technology	6.4
Real Estate	6.1
Utilities	5.0
Telecommunication Services	3.2
Consumer Staples	2.0
Materials	1.2
Cash/Other	1.6

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	6.1
Royal Bank of Canada	5.5
Enbridge Inc.	5.4
Bank of Nova Scotia	5.1
Brookfield Asset Management Inc., Class A	4.1
Bank of Montreal	3.7
CGI Group Inc., Class A	3.1
Canadian National Railway Co.	3.0
Shaw Communications Inc., Class B	2.9
Fortis Inc.	2.7
First Capital Realty Inc.	2.5
Brookfield Infrastructure Partners LP	2.3
Fairfax Financial Holdings Ltd.	2.2
Stantec Inc.	2.2
Open Text Corp.	2.1
Intact Financial Corp.	2.1
Canadian Imperial Bank of Commerce	2.0
Rogers Communications Inc., Class B	2.0
Quebecor Inc., Class B	2.0
Alimentation Couche-Tard Inc.	2.0
TransCanada Corp.	1.9
Waste Connections Inc.	1.9
Whitecap Resources Inc.	1.8
Keyera Corp.	1.8
Canadian Natural Resources Ltd.	1.8
Top 25 Holdings	72.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be viewed at www.rbcgam.com/reports.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY PENSION TRUST***June 30, 2018***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 9, 2018.

A Note on Forward-looking Statements

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

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

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

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

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

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

The Fund seeks to provide investors with long-term capital growth by investing primarily in common shares of Canadian companies, which are chosen primarily for their growth potential. To achieve the Fund's investment objective, the portfolio manager invests in companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$479 million as of June 30, 2018.

Over the past six months, the Fund's Series O units gained 1.4%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Canadian stock market posted modest gains in the first half of 2018, led by returns in the Energy and Information Technology sectors. However, domestic economic growth slowed and concern about trade protectionism intensified as the period progressed, leading the Bank of Canada to take a more cautious approach toward raising interest rates. The combination of rising borrowing costs, a weaker housing market and uncertainty about the future of the North American Free Trade Agreement conspired to dampen Canadian economic growth. Late in the period, President Trump imposed tariffs on Canadian steel and aluminum. Against this backdrop, equities struggled to make the kind of headway that came so easily last year.

In the Energy sector, positions in Raging River Exploration and Seven Generations Energy held back the Fund's returns. The Financials sector also weighed on performance, as a position in Element Fleet Management had a large negative impact on the Fund during the period.

In the Telecommunication Services sector, not owning BCE added significantly to returns. Various positions in the Information Technology sector also aided the Fund's performance, with a large contribution from a holding in CGI Corp.

Recent Developments

Expanding valuations have been a significant source of gains for stocks during the decade-long rally, but sustained earnings growth will be critical to drive equities even higher. Earnings have indeed been growing rapidly, helped by U.S. tax cuts, and the positive trend in profits is expected to persist. The portfolio manager believes that as long as economic growth continues and the U.S. Federal Reserve raises rates gradually, stocks are likely to offer decent returns for the rest of 2018. A scenario of strong economic growth is generally good for Canada's resources-reliant stock market.

There are several scenarios that could lead to a more negative outcome for Canadian stocks, the most likely of which are an excessive rise in borrowing costs and/or an escalation of trade protectionism by the Trump administration.

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

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

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

Distributors

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

Registrars

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

Trustee and Custodian

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

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

Securities Lending Agent

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$13,000 (2017 – \$5,000), or 12% (2017 – 7%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2018), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRF are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series N												
June 30, 2018	10.69	0.13	–	0.05	0.74	0.92	–	–	–	–	–	10.85
Dec. 31, 2017	10.41	0.28	–	0.23	0.07	0.58	(0.02)	(0.19)	(0.19)	–	(0.40)	10.69
Dec. 31, 2016 ³	10.00 [†]	0.09	–	0.01	0.82	0.92	(0.04)	(0.23)	(0.02)	–	(0.29)	10.41
Series O												
June 30, 2018	8.44	0.10	–	0.04	(0.01)	0.13	–	–	–	–	–	8.56
Dec. 31, 2017	8.22	0.22	–	0.18	0.18	0.58	(0.01)	(0.15)	(0.15)	–	(0.31)	8.44
Dec. 31, 2016	6.84	0.21	–	0.02	1.44	1.67	(0.03)	(0.18)	(0.02)	–	(0.23)	8.22
Dec. 31, 2015	7.53	0.22	–	(0.03)	(0.78)	(0.59)	(0.01)	(0.15)	(0.02)	–	(0.18)	6.84
Dec. 31, 2014	7.01	0.21	–	0.53	(0.02)	0.72	(0.01)	(0.10)	(0.24)	–	(0.35)	7.53
Dec. 31, 2013	6.00	0.17	–	0.17	0.84	1.18	(0.01)	(0.18)	–	–	(0.19)	7.01

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

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

³ From August 22, 2016.

[†] Initial offering net asset value per unit.

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

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series N							
June 30, 2018	10.85	53	5	0.02	0.02	30.81	0.06
Dec. 31, 2017	10.69	6	1	0.02	0.02	28.65	0.06
Dec. 31, 2016 ⁴	10.41	11	1	0.02	0.02	48.86	0.09
Series O							
June 30, 2018	8.56	478 777	55 904	0.02	0.02	30.81	0.06
Dec. 31, 2017	8.44	460 564	54 545	0.02	0.02	28.65	0.06
Dec. 31, 2016	8.22	309 082	37 622	0.02	0.02	48.86	0.09
Dec. 31, 2015	6.84	193 017	28 224	0.03	0.03	39.46	0.09
Dec. 31, 2014	7.53	130 555	17 343	0.04	0.04	47.43	0.11
Dec. 31, 2013	7.01	48 746	6 951	0.04	0.04	35.43	0.08

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

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

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

⁴ From August 22, 2016.

Management Fees

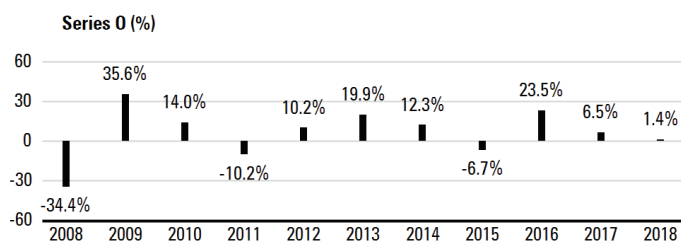
RBC GAM is the manager and portfolio manager of the Fund. No management fees are paid by the Fund with respect to Series N and Series O units. Series N and Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

PAST PERFORMANCE

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

Year-by-Year Returns (%)

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



Series N units have been available for sale to unitholders since August 22, 2016.

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

For the 12-month periods ended December 31 and the six-month period ended June 30, 2018.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2018

Investment Mix

	% of Net Asset Value
Financials	35.8
Energy	19.1
Underlying Funds	10.9
Materials	8.9
Industrials	7.8
Consumer Discretionary	5.3
Information Technology	4.8
Utilities	2.2
Consumer Staples	1.9
Real Estate	1.2
Telecommunication Services	0.9
Cash/Other	1.2

Top 25 Holdings

	% of Net Asset Value
Phillips, Hager & North Small Float Fund	10.9
Toronto-Dominion Bank	7.4
Royal Bank of Canada	6.3
Bank of Nova Scotia	4.6
Enbridge Inc.	4.6
Brookfield Asset Management Inc., Class A	4.0
Canadian National Railway Co.	3.5
Bank of Montreal	2.9
Canadian Natural Resources Ltd.	2.9
Suncor Energy Inc.	2.9
Manulife Financial Corporation	2.8
CGI Group Inc., Class A	2.5
Canadian Imperial Bank of Commerce	2.2
Alimentation Couche-Tard Inc.	2.0
TransCanada Corp.	1.7
Shaw Communications Inc., Class B	1.7
Fairfax Financial Holdings Ltd.	1.7
Nutrien Ltd.	1.7
Dollarama Inc.	1.5
Open Text Corp.	1.5
Waste Connections Inc.	1.5
Fortis Inc.	1.5
Encana Corp.	1.3
First Quantum Minerals Ltd.	1.2
Cash & Cash Equivalents	1.1
Top 25 Holdings	75.9

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be viewed at www.rbcgam.com/reports.

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

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
SMALL FLOAT FUND***June 30, 2018***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 9, 2018.

A Note on Forward-looking Statements

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

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

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

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

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing generally in a diversified portfolio of common stocks of small-float, high-quality Canadian companies. To achieve the Fund's investment objective, the portfolio manager generally invests in small capitalization growth companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their competitors, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$281 million as of June 30, 2018.

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

The Canadian stock market posted modest gains in the first half of 2018, led by returns in the Energy and Information Technology sectors. However, domestic economic growth slowed and concern about trade protectionism intensified as the period progressed, leading the Bank of Canada to take a more cautious approach toward raising interest rates. The combination of rising borrowing costs, a weaker housing market and uncertainty about the future of the North American Free Trade Agreement conspired to dampen Canadian economic growth. Late in the period, President Trump imposed tariffs on Canadian steel and aluminum. Against this backdrop, equities have struggled to make the kind of headway that came so easily last year.

In the Energy sector, positions in Raging River Exploration and Seven Generations Energy held back the Fund's returns. The Financials sector also weighed on performance, as a position in Element Fleet Management had a large negative impact on the Fund during the period.

In the Consumer Discretionary sector, a position in Great Canadian Gaming added significantly to the Fund's returns. Various positions in the Industrials sector also aided the Fund's performance, with a large contribution from a holding in Badger Daylighting.

Recent Developments

Expanding valuations have been a significant source of gains for stocks during the decade-long rally, but sustained earnings growth will be critical to drive equities even higher. Earnings have indeed been growing rapidly, helped by U.S. tax cuts, and the positive trend in profits is expected to persist. The portfolio manager believes that as long as economic growth continues and the U.S. Federal Reserve raises rates gradually, stocks are likely to offer decent returns for the rest of 2018. A scenario of strong economic growth is generally good for Canada's resources-reliant stock market.

There are several scenarios that could lead to a more negative outcome for Canadian stocks, the most likely of which are an excessive rise in borrowing costs and/or an escalation of trade protectionism by the Trump administration.

Effective June 28, 2018, Series A units were renamed Series F units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

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

Distributors

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

Registrars

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

Trustee and Custodian

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

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

Securities Lending Agent

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$6,000 (2017 – \$1,000), or 8% (2017 – 1%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2018), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRF are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series F												
June 30, 2018	33.71	0.25	(0.18)	3.32	(2.01)	1.38	–	–	–	–	–	35.09
Dec. 31, 2017	31.89	0.39	(0.36)	(0.83)	2.66	1.86	–	(0.04)	–	–	(0.04)	33.71
Dec. 31, 2016	25.43	0.37	(0.31)	2.09	4.34	6.49	–	(0.04)	–	–	(0.04)	31.89
Dec. 31, 2015	25.73	0.40	(0.29)	0.33	(0.57)	(0.13)	(0.01)	(0.14)	–	–	(0.15)	25.43
Dec. 31, 2014	24.26	0.37	(0.29)	7.96	(5.98)	2.06	(0.01)	(0.13)	–	–	(0.14)	25.73
Dec. 31, 2013	16.45	0.31	(0.21)	3.43	4.14	7.67	–	(0.10)	–	–	(0.10)	24.23
Series O												
June 30, 2018	32.54	0.24	–	3.21	(1.92)	1.53	–	–	–	–	–	34.05
Dec. 31, 2017	30.77	0.38	–	(0.80)	2.61	2.19	(0.04)	(0.34)	–	–	(0.38)	32.54
Dec. 31, 2016	24.55	0.35	–	2.03	4.13	6.51	(0.02)	(0.36)	–	–	(0.38)	30.77
Dec. 31, 2015	24.85	0.39	–	0.32	(0.55)	0.16	(0.02)	(0.40)	–	–	(0.42)	24.55
Dec. 31, 2014	23.42	0.35	–	7.66	(5.76)	2.25	(0.02)	(0.38)	–	–	(0.40)	24.85
Dec. 31, 2013	15.88	0.30	–	3.35	4.04	7.69	(0.01)	(0.34)	–	–	(0.35)	23.39

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

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

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2018	35.09	1 011	29	1.10	1.10	22.30	0.05
Dec. 31, 2017	33.71	971	29	1.10	1.10	23.66	0.09
Dec. 31, 2016	31.89	917	29	1.10	1.10	24.75	0.07
Dec. 31, 2015	25.43	730	29	1.10	1.10	32.48	0.09
Dec. 31, 2014	25.73	813	32	1.09	1.09	55.46	0.13
Dec. 31, 2013	24.26	848	35	1.09	1.09	40.65	0.16
Series O							
June 30, 2018	34.05	280 385	8 234	–	–	22.30	0.05
Dec. 31, 2017	32.54	294 658	9 056	–	–	23.66	0.09
Dec. 31, 2016	30.77	290 835	9 453	–	–	24.75	0.07
Dec. 31, 2015	24.55	253 380	10 322	–	–	32.48	0.09
Dec. 31, 2014	24.85	261 900	10 540	–	–	55.46	0.13
Dec. 31, 2013	23.42	322 707	13 780	–	–	40.65	0.16

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

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

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

Management Fees

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series F	1.00%	–	100%

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

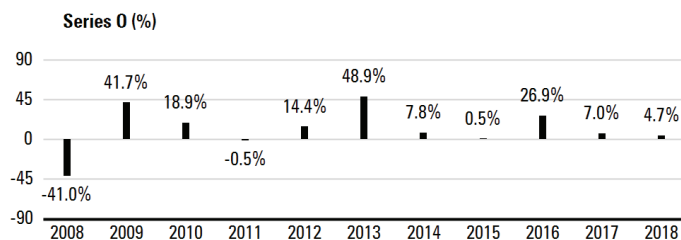
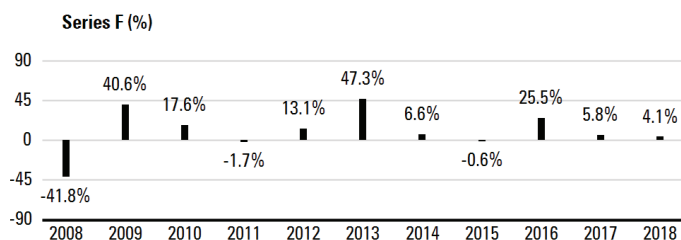
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

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

Year-by-Year Returns (%)

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



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

All outstanding Series A units were renamed Series F units effective June 28, 2018.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2018.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2018

Investment Mix

	% of Net Asset Value
Industrials	30.1
Consumer Discretionary	22.1
Consumer Staples	10.3
Information Technology	8.4
Real Estate	7.7
Materials	7.4
Energy	6.6
Financials	5.0
Cash/Other	2.4

Top 25 Holdings

	% of Net Asset Value
Badger Daylighting Ltd.	6.1
Quebecor Inc., Class B	5.6
Stantec Inc.	5.4
Sleep Country Canada Holdings Inc.	5.2
Boyd Group Income Fund	5.1
Kinaxis Inc.	5.1
Toromont Industries Ltd.	4.3
Ritchie Bros. Auctioneers Inc.	4.2
CCL Industries, Class B	4.2
Jamieson Wellness Inc.	3.8
Great Canadian Gaming Corp.	3.6
Raging River Exploration Inc.	3.5
Stella-Jones Inc.	3.3
Secure Energy Services Inc.	3.1
Blackline Safety Corp.	3.1
The Westaim Corp.	3.1
Tricon Capital Group Inc.	3.0
Richelieu Hardware Ltd.	2.9
Aritzia Inc.	2.9
Maple Leaf Foods Inc.	2.7
Leon's Furniture Ltd.	2.5
Mav Beauty Brands Inc.	2.4
FirstService Corp.	2.4
Mainstreet Equity Corp.	2.3
Cash & Cash Equivalents	2.1
Top 25 Holdings	91.9

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be viewed at www.rbcgam.com/reports.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY PLUS
PENSION TRUST***June 30, 2018***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 9, 2018.

A Note on Forward-looking Statements

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

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

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

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

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

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

The Fund seeks to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks that are qualified investments for registered Canadian pension plans. The Fund may also invest a portion of its assets in U.S. and international securities. To achieve the Fund's investment objective, the portfolio manager invests primarily in large-capitalization companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their competitors, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$104 million as of June 30, 2018.

Over the past six months, the Fund's Series O units gained 0.9%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Canadian stock market posted modest gains in the first half of 2018, led by returns in the Energy and Information Technology sectors. However, domestic economic growth slowed and concern about trade protectionism intensified as the period progressed, leading the Bank of Canada to take a more cautious approach toward raising interest rates. The combination of rising borrowing costs, a weaker housing market and uncertainty about the future of the North American Free Trade Agreement conspired to dampen Canadian economic growth. Late in the period, President Trump imposed tariffs on Canadian steel and aluminum. Against this backdrop, equities struggled to make the kind of headway that came so easily last year.

In the Energy sector, positions in Raging River Exploration and Seven Generations Energy held back the Fund's returns. The Consumer Staples sector also weighed on performance, as a position in PepsiCo had a large negative impact on the Fund during the period.

In the Telecommunication Services sector, the Fund's overweight position in Cisco added significantly to returns. Various positions in the Information Technology sector also aided the Fund's performance, with large contributions from holdings in CGI Corp. and Microsoft.

Recent Developments

Expanding valuations have been a significant source of gains for stocks during the decade-long rally, but sustained earnings growth will be critical to drive equities even higher. Earnings have indeed been growing rapidly, helped by U.S. tax cuts, and the positive trend in profits is expected to persist. The portfolio manager believes that as long as economic growth continues and the U.S. Federal Reserve

raises rates gradually, stocks are likely to offer decent returns for the rest of 2018. A scenario of strong economic growth is generally good for Canada's resources-reliant stock market.

There are several scenarios that could lead to a more negative outcome for Canadian stocks, the most likely of which are an excessive rise in borrowing costs and/or an escalation of trade protectionism by the Trump administration.

Effective June 28, 2018, Series A units were renamed Series F units.

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

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

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

Distributors

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Registrars

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Trustee and Custodian

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

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

Securities Lending Agent

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$3,000 (2017 – \$2,000), or 13% (2017 – 8%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
PLUS PENSION TRUST**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2018), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRF are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series F												
June 30, 2018	88.46	1.06	(0.25)	3.19	(3.09)	0.91	–	–	–	–	–	89.04
Dec. 31, 2017	83.30	2.08	(0.53)	6.59	(1.27)	6.87	(0.05)	(1.68)	–	–	(1.73)	88.46
Dec. 31, 2016	70.33	2.01	(0.47)	6.68	2.61	10.83	(0.07)	(1.66)	–	–	(1.73)	83.30
Dec. 31, 2015	77.00	2.04	(0.49)	3.03	(8.58)	(4.00)	(0.07)	(1.75)	–	–	(1.82)	70.33
Dec. 31, 2014	70.00	1.83	(0.48)	5.14	2.06	8.55	(0.06)	(1.39)	–	–	(1.45)	77.00
Dec. 31, 2013	58.94	1.60	(0.40)	1.43	9.64	12.27	(0.07)	(1.21)	–	–	(1.28)	69.99
Series O												
June 30, 2018	108.66	1.31	(0.02)	3.94	(4.41)	0.82	–	–	–	–	–	109.67
Dec. 31, 2017	102.33	2.56	(0.04)	8.12	(1.69)	8.95	(0.08)	(2.70)	–	–	(2.78)	108.66
Dec. 31, 2016	86.45	2.51	(0.03)	8.34	7.63	18.45	(0.11)	(2.69)	–	–	(2.80)	102.33
Dec. 31, 2015	94.65	2.52	(0.03)	3.73	(10.59)	(4.37)	(0.11)	(2.67)	–	–	(2.78)	86.45
Dec. 31, 2014	86.05	2.26	(0.03)	6.33	2.54	11.10	(0.09)	(2.26)	–	–	(2.35)	94.65
Dec. 31, 2013	72.48	1.97	(0.03)	1.76	11.88	15.58	(0.11)	(2.00)	–	–	(2.11)	86.03

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

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

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
PLUS PENSION TRUST**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series F							
June 30, 2018	89.04	269	3	0.59	0.59	20.00	0.05
Dec. 31, 2017	88.46	1 513	17	0.61	0.61	22.29	0.05
Dec. 31, 2016	83.30	1 456	17	0.63	0.63	36.50	0.07
Dec. 31, 2015	70.33	4 280	61	0.64	0.64	21.78	0.06
Dec. 31, 2014	77.00	5 994	78	0.63	0.63	26.75	0.07
Dec. 31, 2013	70.00	5 288	76	0.62	0.62	18.07	0.07
Series O							
June 30, 2018	109.67	103 721	946	0.03	0.03	20.00	0.05
Dec. 31, 2017	108.66	112 001	1 031	0.03	0.03	22.29	0.05
Dec. 31, 2016	102.33	117 394	1 147	0.03	0.03	36.50	0.07
Dec. 31, 2015	86.45	114 521	1 325	0.04	0.04	21.78	0.06
Dec. 31, 2014	94.65	149 694	1 582	0.03	0.03	26.75	0.07
Dec. 31, 2013	86.05	144 957	1 685	0.03	0.03	18.07	0.07

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

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

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

Management Fees

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series F	0.50%	–	100%

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

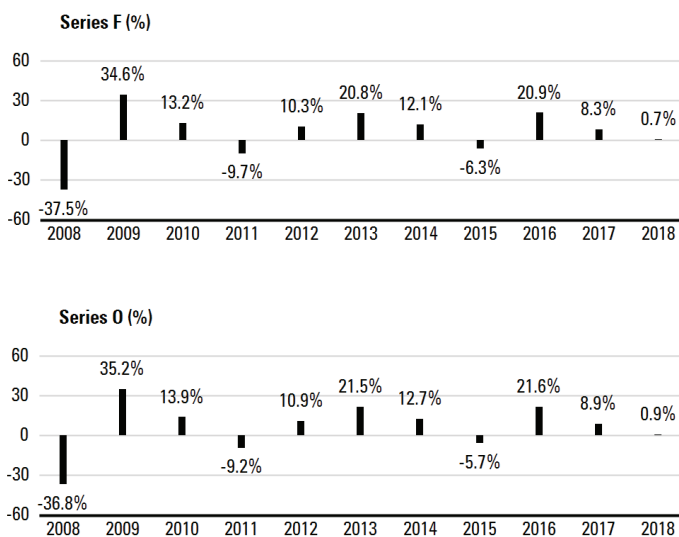
* Includes all costs related to management, investment advisory services, general administration and profit.

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PLUS PENSION TRUST
PAST PERFORMANCE

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

Year-by-Year Returns (%)

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



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

All outstanding Series A units were renamed Series F units effective June 28, 2018.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2018.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2018

Investment Mix

	% of Net Asset Value
Financials	33.0
Energy	16.9
Industrials	9.8
Underlying Funds	9.3
Information Technology	8.8
Materials	7.6
Consumer Discretionary	4.6
Consumer Staples	3.9
Health Care	2.2
Utilities	1.9
Real Estate	1.0
Telecommunication Services	0.8
Cash/Other	0.2

Top 25 Holdings

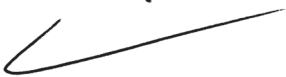
	% of Net Asset Value
Phillips, Hager & North Small Float Fund	9.3
Toronto-Dominion Bank	6.4
Royal Bank of Canada	5.5
Bank of Nova Scotia	4.1
Enbridge Inc.	4.0
Brookfield Asset Management Inc., Class A	3.6
Canadian National Railway Co.	3.1
Canadian Natural Resources Ltd.	2.7
Microsoft Corp.	2.6
Suncor Energy Inc.	2.5
Bank of Montreal	2.5
Manulife Financial Corporation	2.4
PepsiCo Inc.	2.3
CGI Group Inc., Class A	2.2
Canadian Imperial Bank of Commerce	1.9
Wells Fargo & Company	1.9
Emerson Electric Co.	1.6
Alimentation Couche-Tard Inc.	1.6
Shaw Communications Inc., Class B	1.5
TransCanada Corp.	1.5
Fairfax Financial Holdings Ltd.	1.5
Nutrien Ltd.	1.4
Dollarama Inc.	1.3
Waste Connections Inc.	1.3
Open Text Corp.	1.3
Top 25 Holdings	70.0

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be viewed at www.rbcgam.com/reports.

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

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

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



Damon G. Williams, FSA, FCIA, CFA

Chief Executive Officer
RBC Global Asset Management Inc.

August 9, 2018



Heidi Johnston, CPA, CA

Chief Financial Officer
RBC GAM Funds

Unaudited Interim Financial Statements

The accompanying interim financial statements have not been reviewed by the external auditors of the Funds. The external auditors will be auditing the annual financial statements of the Funds in accordance with Canadian generally accepted auditing standards.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH BALANCED PENSION TRUST

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
46 331 558	Phillips, Hager & North Bond Fund*	\$ 485 281	\$ 468 384	
31 939 203	Phillips, Hager & North Canadian Equity Underlying Fund*	338 867	393 076	
3 233 908	Phillips, Hager & North Canadian Money Market Fund*	32 339	32 339	
2 945 353	RBC Emerging Markets Equity Fund*	40 543	52 179	
9 788 015	RBC Global Equity Focus Fund*	113 908	174 519	
14 351 901	RBC QUBE Global Equity Fund*	166 541	173 576	
TOTAL UNDERLYING FUNDS		1 177 479	1 294 073	99.5
SHORT-TERM INVESTMENTS†		6 390	6 390	0.5
TOTAL INVESTMENTS		<u>\$1 183 869</u>	<u>1 300 463</u>	100.0
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>(339)</u>	—
			<u>\$1 300 124</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.20% to 1.53% and mature between July 3, 2018 and July 18, 2018.

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

Statements of Financial Position (unaudited)

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 1 300 463	\$ 1 293 743
Cash	126	128
Subscriptions receivable	2 546	713
Dividends receivable, interest accrued and other assets	10	8
TOTAL ASSETS	1 303 145	1 294 592
LIABILITIES		
Due to investment dealers	2 000	–
Redemptions payable	917	1 312
Accounts payable and accrued expenses	104	130
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	3 021	1 442
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 300 124	\$ 1 293 150
Investments at cost	\$ 1 183 869	\$ 1 194 160
NAV		
SERIES F	\$ 204 381	\$ 245 278
SERIES O	\$ 1 095 743	\$ 1 047 872
NAV PER UNIT		
SERIES F	\$ 20.97	\$ 20.54
SERIES O	\$ 20.80	\$ 20.38

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 40	\$ 18
Income from investment trusts	7 758	7 422
Net realized gain (loss) on investments	9 456	5 947
Change in unrealized gain (loss) on investments	17 011	37 621
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	34 265	51 008
TOTAL INCOME (LOSS)	34 265	51 008
EXPENSES (see notes – Fund Specific Information)		
Management fees	542	864
Administration fees	63	59
Independent Review Committee costs	1	1
GST/HST	79	118
TOTAL EXPENSES	685	1 042
INCREASE (DECREASE) IN NAV	\$ 33 580	\$ 49 966
INCREASE (DECREASE) IN NAV		
SERIES F	\$ 5 312	\$ 15 038
SERIES O	\$ 28 268	\$ 34 928
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ 0.50	\$ 0.88
SERIES O	\$ 0.55	\$ 0.81

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

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

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 33 580	\$ 49 966
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	(7 758)	(7 422)
Net realized loss (gain) on investments	(9 456)	(5 947)
Change in unrealized loss (gain) on investments	(17 011)	(37 621)
(Increase) decrease in accrued receivables	(2)	1
Increase (decrease) in accrued payables	(26)	(32)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(205 473)	(161 387)
Proceeds from sale and maturity of investments	234 978	179 232
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	28 832	16 790
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	43 291	47 204
Cash paid on redemption of redeemable units	(72 101)	(63 971)
Distributions paid to holders of redeemable units	(24)	(24)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (28 834)	\$ (16 791)
Net increase (decrease) in cash for the period	(2)	(1)
Cash (bank overdraft), beginning of period	128	127
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 126	\$ 126
Interest received (paid)	\$ 38	\$ 18
Dividends received, net of withholding taxes	\$ –	\$ –

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

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

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 245 278	\$ 382 349	\$ 1 047 872	\$ 814 076	\$ 1 293 150	\$ 1 196 425
INCREASE (DECREASE) IN NAV	5 312	15 038	28 268	34 928	33 580	49 966
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	1 481	4 233	85 934	128 687	87 415	132 920
Reinvestments of distributions to holders of redeemable units	550	817	5 974	5 040	6 524	5 857
Redemption of redeemable units	(47 690)	(95 564)	(66 307)	(57 496)	(113 997)	(153 060)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(45 659)	(90 514)	25 601	76 231	(20 058)	(14 283)
Distributions from net income	(550)	(817)	(5 998)	(5 064)	(6 548)	(5 881)
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(550)	(817)	(5 998)	(5 064)	(6 548)	(5 881)
NET INCREASE (DECREASE) IN NAV	(40 897)	(76 293)	47 871	106 095	6 974	29 802
NAV AT END OF PERIOD	\$ 204 381	\$ 306 056	\$ 1 095 743	\$ 920 171	\$ 1 300 124	\$ 1 226 227

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

PHILLIPS, HAGER & NORTH BALANCED PENSION TRUST

June 30, 2018

General information (see note 1 in the generic notes)

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

All outstanding Series A units were renamed Series F units effective June 28, 2018.

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

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

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 36.0% (December 31, 2017 – 36.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2018	December 31 2017
AAA	39.0	44.8
AA	31.5	28.9
A	17.9	15.8
BBB	10.5	9.3
BB	0.5	0.5
Unrated	0.6	0.7
Total	100.0	100.0

Concentration risk (%)

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

Investment mix	June 30 2018	December 31 2017
Bonds	36.0	34.7
Global Equities	30.8	31.2
Canadian Equities	30.2	30.3
Cash/Other	3.0	3.8
Total	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 36.1% (December 31, 2017 – 35.9%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	June 30 2018	December 31 2017
Term to maturity		
Less than 1 year	5.3	2.8
1 – 5 years	38.6	37.0
5 – 10 years	22.1	29.3
> 10 years	34.0	30.9
Total	100.0	100.0

As at June 30, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.2% (December 31, 2017 – 2.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

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

Currency	June 30 2018	December 31 2017
United States dollar	18.0	17.4
Euro	2.1	2.7
Pound sterling	1.9	2.0
Hong Kong dollar	1.7	1.3
Japanese yen	1.4	1.4
Swiss franc	1.0	1.4
South African rand	0.9	1.0
Indian rupee	0.7	0.6
Danish krone	0.6	0.7
New Taiwan dollar	0.5	–
Norwegian krone	0.5	–
Australian dollar	–	0.7
Other currencies	1.3	2.1
Total	30.6	31.3

As at June 30, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.5% (December 31, 2017 – 1.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

PHILLIPS, HAGER & NORTH BALANCED PENSION TRUST

June 30, 2018

Other price risk (% impact on NAV)

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

	June 30 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.5	+ or - 0.5

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

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

The following is a summary of the inputs used as of June 30, 2018 and December 31, 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	1 294 073	–	–	1 294 073
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	6 390	–	6 390
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 294 073	6 390	–	1 300 463
% of total portfolio	99.5	0.5	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	1 288 148	–	–	1 288 148
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	5 595	–	5 595
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 288 148	5 595	–	1 293 743
% of total portfolio	99.6	0.4	–	100.0

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Administration fees
Series F	0.50%	0.01%
Series O	n/a*	0.01%

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

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

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

	June 30 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Bond Fund	36.0	4.8	36.0	4.8
Phillips, Hager & North Canadian Equity Underlying Fund	30.2	14.3	30.8	14.7
Phillips, Hager & North Canadian Money Market Fund	2.5	1.8	1.4	1.1
RBC Emerging Markets Equity Fund	4.0	1.3	4.1	1.4
RBC Global Equity Focus Fund	13.4	5.0	13.6	6.0
RBC QUBE Global Equity Fund	13.4	59.4	13.7	60.4

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

The Fund had no capital or non-capital losses as at December 31, 2017.

June 30, 2018

Redeemable units (000s)

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

For the periods ended June 30
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	11 943	19 414
Issued number of units	72	208
Reinvested number of units	27	40
Redeemed number of units	(2 294)	(4 683)
Ending number of units	9 748	14 979
Series O		
Opening units	51 418	41 684
Issued number of units	4 186	6 356
Reinvested number of units	292	249
Redeemed number of units	(3 227)	(2 871)
Ending number of units	52 669	45 418

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

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
727 800	Dollarama Inc.	\$ 26 930	\$ 37 089	
667 400	Gildan Activewear Inc., Class A	26 193	24 714	
1 600 507	Quebecor Inc., Class B	31 555	43 086	
2 311 713	Shaw Communications Inc., Class B	65 556	61 908	
		150 234	166 797	7.7
Consumer Staples				
745 957	Alimentation Couche-Tard Inc.	43 306	42 602	
		43 306	42 602	2.0
Energy				
1 796 091	ARC Resources Ltd.	34 147	24 391	
803 686	Canadian Natural Resources Ltd.	32 614	38 135	
771 627	Cenovus Energy Inc.	12 898	10 533	
2 476 340	Enbridge Inc.	128 940	116 388	
574 800	Encana Corp.	8 487	9 869	
1 045 617	Keyera Corp.	39 438	38 250	
373 385	Pembina Pipeline Corp.	14 876	17 001	
854 079	PrairieSky Royalty Ltd.	22 664	22 164	
512 400	Suncor Energy Inc.	24 474	27 413	
334 200	Tourmaline Oil Corp.	8 439	7 850	
739 872	TransCanada Corp.	45 973	42 084	
512 200	Vermilion Energy Inc.	21 835	24 283	
4 318 300	Whitecap Resources Inc.	39 195	38 476	
		433 980	416 837	19.2
Financials				
788 992	Bank of Montreal	75 341	80 177	
1 497 983	Bank of Nova Scotia	103 688	111 510	
1 663 931	Brookfield Asset Management Inc., Class A	77 005	88 737	
384 912	Canadian Imperial Bank of Commerce	41 060	44 019	
2 248 089	Element Fleet Management Corp.	23 848	13 893	
64 635	Fairfax Financial Holdings Ltd.	39 624	47 614	
396 200	Industrial Alliance Insurance & Financial Services Inc.	22 080	20 107	
483 628	Intact Financial Corp.	47 248	45 098	
1 403 313	Manulife Financial Corporation	26 907	33 146	
1 199 423	Royal Bank of Canada*	99 955	118 731	
585 465	Sun Life Financial Inc.	26 956	30 930	
681 329	Thomson Corp.	36 410	36 145	
1 728 391	Toronto-Dominion Bank	101 749	131 513	
		721 871	801 620	36.9

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
597 165	Canadian National Railway Co.	\$ 51 101	\$ 64 213	
149 319	Canadian Pacific Railway Ltd.	28 206	35 974	
530 911	Ritchie Bros. Auctioneers Inc.	21 473	23 806	
353 400	SNC-Lavalin Group Inc.	20 164	20 518	
1 396 700	Stantec Inc.	46 096	47 222	
422 200	Waste Connections Inc.	29 558	41 810	
		196 598	233 543	10.7
Information Technology				
810 500	CGI Group Inc., Class A	48 312	67 523	
24 900	Constellation Software Inc.	14 989	25 387	
1 000 220	Open Text Corp.	41 027	46 280	
		104 328	139 190	6.4
Materials				
393 239	CCL Industries, Class B	19 620	25 344	
		19 620	25 344	1.2
Real Estate				
542 882	Allied Properties Real Estate Investment Trust	19 743	22 720	
1 324 671	Brookfield Property Partners LP	38 290	33 077	
1 937 092	Choice Properties Real Estate Investment Trust	23 129	23 458	
2 571 328	First Capital Realty Inc.	51 840	53 124	
		133 002	132 379	6.1
Telecommunication Services				
695 267	Rogers Communications Inc., Class B	38 747	43 412	
560 727	TELUS Corp.	24 269	26 186	
		63 016	69 598	3.2
Utilities				
988 678	Brookfield Infrastructure Partners LP	44 388	49 869	
1 375 679	Fortis Inc.	57 944	57 806	
		102 332	107 675	5.0
TOTAL CANADIAN EQUITIES		1 968 287	2 135 585	98.4
SHORT-TERM INVESTMENTS[†]		28 155	28 155	1.3
TOTAL INVESTMENTS		\$1 996 442	2 163 740	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			7 335	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$2 171 075	100.0

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

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.16% to 1.20% and mature between July 26, 2018 and September 6, 2018.

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

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND**
Statements of Financial Position (unaudited)

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 2 163 740	\$ 1 738 061
Cash	2 371	1 666
Due from investment dealers	219	1 899
Subscriptions receivable	187	23
Dividends receivable, interest accrued and other assets	4 991	4 010
TOTAL ASSETS	2 171 508	1 745 659
LIABILITIES		
Due to investment dealers	–	396
Redemptions payable	337	25
Accounts payable and accrued expenses	96	81
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	433	502
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 171 075	\$ 1 745 157
Investments at cost	\$ 1 996 442	\$ 1 545 476
NAV		
SERIES 0	\$ 2 171 075	\$ 1 745 157
NAV PER UNIT		
SERIES 0	\$ 12.49	\$ 12.56

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 30 570	\$ 22 590
Interest for distribution purposes	265	73
Income from investment trusts	1 028	1 167
Net realized gain (loss) on investments	16 117	18 563
Change in unrealized gain (loss) on investments	(25 287)	(30 059)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	22 693	12 334
Securities lending revenue (see note 7 in the generic notes)	83	–
Net gain (loss) on foreign cash balances	4	(6)
TOTAL OTHER INCOME (LOSS)	87	(6)
TOTAL INCOME (LOSS)	22 780	12 328
EXPENSES (see notes – Fund Specific Information)		
Administration fees	497	399
Independent Review Committee costs	1	1
GST/HST	62	40
Transaction costs	512	453
TOTAL EXPENSES	1 072	893
INCREASE (DECREASE) IN NAV	\$ 21 708	\$ 11 435
INCREASE (DECREASE) IN NAV		
SERIES 0	\$ 21 708	\$ 11 435
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES 0	\$ 0.13	\$ 0.09

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

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND****Statements of Cash Flow** (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 21 708	\$ 11 435
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(15 816)	(18 243)
Change in unrealized loss (gain) on investments	25 287	30 059
(Increase) decrease in accrued receivables	(981)	(258)
Increase (decrease) in accrued payables	15	(2)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(1 090 522)	(379 841)
Proceeds from sale and maturity of investments	656 656	342 008
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(403 653)	(14 842)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	459 210	28 279
Cash paid on redemption of redeemable units	(51 011)	(13 391)
Distributions paid to holders of redeemable units	(3 841)	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 404 358	\$ 14 888
Net increase (decrease) in cash for the period	705	46
Cash (bank overdraft), beginning of period	1 666	1 944
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2 371	\$ 1 990
Interest received (paid)	\$ 262	\$ 73
Dividends received, net of withholding taxes	\$ 30 620	\$ 23 500

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

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND****Statements of Changes in NAV** (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series 0	
	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 745 157	\$ 1 576 375
INCREASE (DECREASE) IN NAV	21 708	11 435
Early redemption fees	–	–
Proceeds from redeemable units issued	459 374	30 321
Reinvestments of distributions to holders of redeemable units	23 904	21 140
Redemption of redeemable units	(51 323)	(13 391)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	431 955	38 070
Distributions from net income	(27 745)	(21 140)
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(27 745)	(21 140)
NET INCREASE (DECREASE) IN NAV	425 918	28 365
NAV AT END OF PERIOD	\$ 2 171 075	\$ 1 604 740

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

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND**

June 30, 2018

General information (see note 1 in the generic notes)

The Fund seeks to provide a high and sustainable level of income, with the potential for capital appreciation and an emphasis on stable returns, by investing primarily in dividend-paying Canadian common shares and, to a lesser extent, preferred shares and bonds.

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

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

	June 30 2018	December 31 2017
Investment mix		
Financials	36.9	36.6
Energy	19.2	20.6
Industrials	10.7	9.3
Consumer Discretionary	7.7	7.3
Information Technology	6.4	5.4
Real Estate	6.1	7.0
Utilities	5.0	3.4
Telecommunication Services	3.2	2.8
Consumer Staples	2.0	2.2
Materials	1.2	2.5
Cash/Other	1.6	2.9
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	June 30 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2018 and December 31, 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	2 135 585	–	–	2 135 585
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	28 155	–	28 155
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 135 585	28 155	–	2 163 740
% of total portfolio	98.7	1.3	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 694 919	–	–	1 694 919
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	43 142	–	43 142
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 694 919	43 142	–	1 738 061
% of total portfolio	97.5	2.5	–	100.0

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Administration fees
Series 0	n/a*	0.05%

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

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

The Fund had no capital or non-capital losses as at December 31, 2017.

**PHILLIPS, HAGER & NORTH CONSERVATIVE
EQUITY INCOME FUND**

June 30, 2018

Redeemable units (000s)

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

For the periods ended June 30
(see note 2 in the generic notes)

	2018	2017
Series O		
Opening units	139 000	130 572
Issued number of units	37 061	2 503
Reinvested number of units	1 970	1 745
Redeemed number of units	(4 175)	(1 098)
Ending number of units	173 856	133 722

Transaction costs (\$000s except %)

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Total transaction costs	512	100	453	100
Related-party brokerage commissions*	61	12	21	5
Commission arrangements [†]	25	5	67	15

* See note 8 in the generic notes.

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

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

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

	June 30 2018	June 30 2017
Fair value of securities loaned	76 708	–
Fair value of collateral received	78 242	–

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Gross revenue	111	100	–	–
RBC IS (paid)	(28)	(25)	–	–
Tax withheld	–	–	–	–
Fund revenue	83	75	–	–

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

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

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

	June 30 2018	December 31 2017
Phillips, Hager & North LifeTime 2015 Fund	–	–
Phillips, Hager & North LifeTime 2020 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2025 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2030 Fund	–	–
Phillips, Hager & North LifeTime 2035 Fund	–	–
RBC Retirement 2020 Portfolio	0.1	0.1
RBC Retirement 2025 Portfolio	0.1	0.1
RBC Retirement 2030 Portfolio	0.1	0.1
RBC Retirement 2035 Portfolio	0.1	–
RBC Retirement 2040 Portfolio	–	–
RBC Retirement 2045 Portfolio	–	–
RBC Retirement 2050 Portfolio	–	–
RBC Retirement Income Solution	–	–
RBC Select Conservative Portfolio	58.9	66.4
RBC Select Very Conservative Portfolio	21.9	26.1
RBC Total Return Growth Fund	–	–
Total	81.4	93.0

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PENSION TRUST

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
142 611	Dollarama Inc.	\$ 4 765	\$ 7 267	
104 447	Gildan Activewear Inc., Class A	3 922	3 868	
127 862	Quebecor Inc., Class B	2 643	3 442	
31 810	Restaurant Brands International Inc.	1 881	2 523	
306 120	Shaw Communications Inc., Class B	8 563	8 198	
		21 774	25 298	5.3
Consumer Staples				
163 545	Alimentation Couche-Tard Inc.	8 869	9 340	
		8 869	9 340	1.9
Energy				
222 853	ARC Resources Ltd.	3 933	3 025	
87 939	Cameco Corp.	1 430	1 300	
291 818	Canadian Natural Resources Ltd.	11 745	13 846	
211 113	Cenovus Energy Inc.	3 333	2 881	
468 845	Enbridge Inc.	23 405	22 036	
354 051	Encana Corp.	5 158	6 079	
101 733	Keyera Corp.	3 763	3 721	
43 152	Pembina Pipeline Corp.	1 575	1 965	
120 456	PrairieSky Royalty Ltd.	3 155	3 126	
266 819	Raging River Exploration Inc.	2 021	1 521	
263 487	Seven Generations Energy Ltd.	4 811	3 818	
257 542	Suncor Energy Inc.	11 104	13 778	
106 783	Tourmaline Oil Corp.	3 105	2 508	
144 436	TransCanada Corp.	8 514	8 216	
408 500	Whitecap Resources Inc.	3 573	3 640	
		90 625	91 460	19.1
Financials				
136 873	Bank of Montreal	12 722	13 909	
296 607	Bank of Nova Scotia	20 638	22 079	
361 670	Brookfield Asset Management Inc., Class A	16 191	19 288	
90 610	Canadian Imperial Bank of Commerce	9 938	10 362	
245 017	Element Fleet Management Corp.	2 743	1 514	
10 841	Fairfax Financial Holdings Ltd.	6 752	7 986	
57 800	Industrial Alliance Insurance & Financial Services Inc.	3 276	2 933	
51 462	Intact Financial Corp.	5 031	4 799	
561 049	Manulife Financial Corporation	12 423	13 252	
305 486	Royal Bank of Canada*	25 273	30 240	
99 915	Sun Life Financial Inc.	4 887	5 279	
83 064	Thomson Corp.	4 359	4 407	
467 020	Toronto-Dominion Bank	27 506	35 536	
		151 739	171 584	35.8

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
441 800	Bombardier Inc., Class B	\$ 1 774	\$ 2 297	
154 055	Canadian National Railway Co.	13 172	16 566	
18 550	Canadian Pacific Railway Ltd.	3 682	4 469	
81 000	SNC-Lavalin Group Inc.	4 617	4 703	
59 208	Stantec Inc.	2 060	2 002	
71 670	Waste Connections Inc.	5 276	7 097	
		30 581	37 134	7.8
Information Technology				
141 759	CGI Group Inc., Class A	8 523	11 810	
3 721	Constellation Software Inc.	2 336	3 794	
155 991	Open Text Corp.	6 200	7 218	
		17 059	22 822	4.8
Materials				
60 854	Agnico Eagle Mines Ltd.	2 942	3 668	
102 313	Alamos Gold Inc., Class A	831	766	
435 166	B2Gold Corp.	1 595	1 484	
121 360	Barrick Gold Corp.	2 391	2 096	
210 570	Belo Sun Mining Corp.	152	48	
27 018	CCL Industries, Class B	1 527	1 741	
92 420	Continental Gold Inc.	302	350	
60 890	Detour Gold Corp.	961	720	
52 071	Endeavour Mining Corp.	1 092	1 228	
287 443	First Quantum Minerals Ltd.	3 537	5 568	
26 880	Franco-Nevada Corp.	2 323	2 579	
162 550	Goldcorp Inc.	3 090	2 934	
93 820	IAMGOLD Corporation	684	719	
178 740	Kinross Gold Corp.	920	885	
77 140	Kirkland Lake Gold Ltd.	1 201	2 148	
110 850	Nutrien Ltd.	6 914	7 928	
189 680	OceanaGold Corp.	720	692	
79 000	Semafo Inc.	303	301	
100 319	Teck Resources Ltd., Class B	2 910	3 360	
61 207	Torex Gold Resources Inc.	1 030	717	
175 776	Turquoise Hill Resources Ltd.	699	654	
64 530	Wheaton Precious Metals Corp.	1 740	1 873	
		37 864	42 459	8.9
Real Estate				
137 896	Brookfield Property Partners LP	3 960	3 443	
110 264	First Capital Realty Inc.	2 221	2 278	
		6 181	5 721	1.2

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

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
30 174	Rogers Communications Inc., Class B	\$ 1 565	\$ 1 884	
52 845	TELUS Corp.	2 215	2 468	
		<u>3 780</u>	<u>4 352</u>	0.9
Utilities				
68 669	Brookfield Infrastructure Partners LP	3 056	3 464	
167 404	Fortis Inc.	7 042	7 034	
		<u>10 098</u>	<u>10 498</u>	2.2
TOTAL CANADIAN EQUITIES		<u>378 570</u>	<u>420 668</u>	87.9
UNDERLYING FUNDS				
1 526 542	Phillips, Hager & North Small Float Fund*	41 445	51 984	
TOTAL UNDERLYING FUNDS		<u>41 445</u>	<u>51 984</u>	10.9
SHORT-TERM INVESTMENTS†		<u>4 990</u>	<u>4 990</u>	1.0
TOTAL INVESTMENTS		<u>\$ 425 005</u>	<u>477 642</u>	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>1 188</u>	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 478 830</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.20% to 1.62% and mature between July 3, 2018 and July 18, 2018.

Statements of Financial Position (unaudited)

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 477 642	\$ 458 823
Cash	544	477
Due from investment dealers	7	278
Subscriptions receivable	368	391
Dividends receivable, interest accrued and other assets	798	778
TOTAL ASSETS	479 359	460 747
LIABILITIES		
Due to investment dealers	479	104
Redemptions payable	42	34
Distributions payable	–	32
Accounts payable and accrued expenses	8	7
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	529	177
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")		
	\$ 478 830	\$ 460 570
Investments at cost	\$ 425 005	\$ 405 385
NAV		
SERIES N	\$ 53	\$ 6
SERIES O	\$ 478 777	\$ 460 564
NAV PER UNIT		
SERIES N	\$ 10.85	\$ 10.69
SERIES O	\$ 8.56	\$ 8.44

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 5 683	\$ 3 722
Interest for distribution purposes	38	15
Net realized gain (loss) on investments	2 160	4 759
Change in unrealized gain (loss) on investments	(801)	(10 745)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	7 080	(2 249)
Securities lending revenue (see note 7 in the generic notes)	14	–
Net gain (loss) on foreign cash balances	3	(1)
TOTAL OTHER INCOME (LOSS)	17	(1)
TOTAL INCOME (LOSS)	7 097	(2 250)
EXPENSES (see notes – Fund Specific Information)		
Administration fees	44	30
Independent Review Committee costs	1	1
GST/HST	4	3
Transaction costs	113	73
TOTAL EXPENSES	162	107
INCREASE (DECREASE) IN NAV	\$ 6 935	\$ (2 357)
INCREASE (DECREASE) IN NAV		
SERIES N	\$ 2	\$ 1
SERIES O	\$ 6 933	\$ (2 358)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES N	\$ 0.92	\$ (0.02)
SERIES O	\$ 0.13	\$ (0.06)

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

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

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 6 935	\$ (2 357)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(2 074)	(4 711)
Change in unrealized loss (gain) on investments	801	10 745
(Increase) decrease in accrued receivables	(20)	(49)
Increase (decrease) in accrued payables	1	–
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(253 220)	(191 665)
Proceeds from sale and maturity of investments	236 320	184 277
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(11 257)	(3 760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	35 033	13 067
Cash paid on redemption of redeemable units	(23 677)	(9 108)
Distributions paid to holders of redeemable units	(32)	(89)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 11 324	\$ 3 870
Net increase (decrease) in cash for the period	67	110
Cash (bank overdraft), beginning of period	477	436
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 544	\$ 546
Interest received (paid)	\$ 32	\$ 15
Dividends received, net of withholding taxes	\$ 5 670	\$ 3 673

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

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

For the periods ended June 30 (see note 2 in the generic notes)	Series N		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 6	\$ 11	\$ 460 564	\$ 309 082	\$ 460 570	\$ 309 093
INCREASE (DECREASE) IN NAV	2	1	6 933	(2 358)	6 935	(2 357)
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	51	13	34 959	15 381	35 010	15 394
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—
Redemption of redeemable units	(6)	(12)	(23 679)	(9 072)	(23 685)	(9 084)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	45	1	11 280	6 309	11 325	6 310
Distributions from net income	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	47	2	18 213	3 951	18 260	3 953
NAV AT END OF PERIOD	\$ 53	\$ 13	\$ 478 777	\$ 313 033	\$ 478 830	\$ 313 046

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

June 30, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in common shares of Canadian companies, which are chosen primarily for their growth potential.

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

Concentration risk (%)

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

	June 30 2018	December 31 2017
Investment mix		
Financials	35.8	36.5
Energy	19.1	21.9
Underlying Funds	10.9	10.7
Materials	8.9	7.2
Industrials	7.8	5.9
Consumer Discretionary	5.3	5.8
Information Technology	4.8	3.9
Utilities	2.2	1.5
Consumer Staples	1.9	2.4
Real Estate	1.2	1.7
Telecommunication Services	0.9	0.9
Cash/Other	1.2	1.6
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	June 30 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2018 and December 31, 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	420 668	–	–	420 668
Underlying funds	51 984	–	–	51 984
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	4 990	–	4 990
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	472 652	4 990	–	477 642
% of total portfolio	99.0	1.0	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	403 749	–	–	403 749
Underlying funds	49 451	–	–	49 451
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	5 623	–	5 623
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	453 200	5 623	–	458 823
% of total portfolio	98.8	1.2	–	100.0

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Administration fees
Series N	n/a*	0.02%
Series O	n/a*	0.02%

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

June 30, 2018

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

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

	June 30 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Small Float Fund	10.9	18.5	10.7	16.7

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

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

	June 30 2018	December 31 2017
Units held		
Series N	99	1
Value of all units	1	–

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

The Fund had no capital or non-capital losses as at December 31, 2017.

Redeemable units (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
Series N		
Opening units	1	1
Issued number of units	5	1
Reinvested number of units	–	–
Redeemed number of units	(1)	(1)
Ending number of units	5	1
Series O		
Opening units	54 545	37 622
Issued number of units	4 274	1 853
Reinvested number of units	–	–
Redeemed number of units	(2 915)	(1 097)
Ending number of units	55 904	38 378

Transaction costs (\$000s except %)

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Total transaction costs	113	100	73	100
Related-party brokerage commissions*	13	12	5	7
Commission arrangements†	–	–	5	7

* See note 8 in the generic notes.

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

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

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

	June 30 2018	June 30 2017
Fair value of securities loaned	14 626	–
Fair value of collateral received	14 918	–

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Gross revenue	19	100	–	–
RBC IS (paid)	(5)	(25)	–	–
Tax withheld	–	(1)	–	–
Fund revenue	14	74	–	–

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

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

	June 30 2018	December 31 2017
Phillips, Hager & North PRisM Balanced Fund	12.1	10.5
RBC Total Return Growth Fund	–	–
Total	12.1	10.5

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH SMALL FLOAT FUND

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
514 100	Aritzia Inc.	\$ 7 696	\$ 8 020	
215 352	Great Canadian Gaming Corp.	3 115	10 025	
394 652	Leon's Furniture Ltd.	5 281	7 127	
489 201	Mav Beauty Brands Inc.	6 849	6 849	
585 098	Quebecor Inc., Class B	6 821	15 751	
446 851	Sleep Country Canada Holdings Inc.	8 092	14 554	
		37 854	62 326	22.1
Consumer Staples				
396 895	Jamieson Wellness Inc.	6 387	10 565	
20 609	Lassonde Industries Inc.	4 992	5 770	
224 100	Maple Leaf Foods Inc.	2 723	7 449	
45 967	Premium Brands Holdings Corp.	5 491	5 207	
		19 593	28 991	10.3
Energy				
1 701 446	Raging River Exploration Inc.	13 854	9 698	
1 213 400	Secure Energy Services Inc.	11 400	8 810	
		25 254	18 508	6.6
Financials				
872 327	Element Fleet Management Corp.	7 157	5 391	
2 704 800	The Westaim Corp.	8 383	8 709	
		15 540	14 100	5.0
Industrials				
541 820	Badger Daylighting Ltd.	10 877	17 159	
122 836	Boyd Group Income Fund	5 195	14 398	
145 400	K-Bro Linen Inc.	5 302	5 448	
301 334	Richelieu Hardware Ltd.	1 816	8 260	
265 443	Ritchie Bros. Auctioneers Inc.	9 331	11 902	
452 201	Stantec Inc.	12 986	15 289	
213 409	Toromont Industries Ltd.	6 651	12 134	
		52 158	84 590	30.1
Information Technology				
1 453 039	Blackline Safety Corp.	4 359	8 718	
162 374	Kinaxis Inc.	4 643	14 370	
96 700	Real Matters Inc.	551	551	
		9 553	23 639	8.4

Holdings	Security	Cost	Fair Value	% of Net Assets	
Materials					
181 609	CCL Industries, Class B	\$ 1 237	\$ 11 706		
192 100	Stella-Jones Inc.	5 891	9 200		
		7 128	20 906	7.4	
Real Estate					
67 214	FirstService Corp.	1 902	6 721		
150 500	Mainstreet Equity Corp.	5 546	6 491		
759 670	Tricon Capital Group Inc.	7 801	8 379		
		15 249	21 591	7.7	
TOTAL CANADIAN EQUITIES			182 329	274 651	97.6
SHORT-TERM INVESTMENTS*			11 225	11 225	4.0
TOTAL INVESTMENTS			\$ 193 554	285 876	101.6
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					
			(4 480)	(1.6)	
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 281 396	100.0	

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.45% to 1.61% and mature between July 4, 2018 and July 18, 2018.

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

Statements of Financial Position (unaudited)

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 285 876	\$ 294 905
Cash	320	315
Due from investment dealers	1 252	–
Subscriptions receivable	98	78
Dividends receivable, interest accrued and other assets	742	374
TOTAL ASSETS	288 288	295 672
LIABILITIES		
Due to investment dealers	6 849	–
Redemptions payable	42	42
Accounts payable and accrued expenses	1	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	6 892	43
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 281 396	\$ 295 629
Investments at cost	\$ 193 554	\$ 185 322
NAV		
SERIES F	\$ 1 011	\$ 971
SERIES O	\$ 280 385	\$ 294 658
NAV PER UNIT		
SERIES F	\$ 35.09	\$ 33.71
SERIES O	\$ 34.05	\$ 32.54

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 2 010	\$ 1 555
Interest for distribution purposes	82	65
Income from investment trusts	42	133
Net realized gain (loss) on investments	29 011	4 154
Change in unrealized gain (loss) on investments	(17 261)	(1 756)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	13 884	4 151
Net gain (loss) on foreign cash balances	–	(1)
TOTAL OTHER INCOME (LOSS)	–	(1)
TOTAL INCOME (LOSS)	13 884	4 150
EXPENSES (see notes – Fund Specific Information)		
Management fees	5	5
Transaction costs	71	136
TOTAL EXPENSES	76	141
INCREASE (DECREASE) IN NAV	\$ 13 808	\$ 4 009
INCREASE (DECREASE) IN NAV		
SERIES F	\$ 40	\$ 7
SERIES O	\$ 13 768	\$ 4 002
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ 1.38	\$ 0.24
SERIES O	\$ 1.53	\$ 0.43

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

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

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 13 808	\$ 4 009
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(28 937)	(3 998)
Change in unrealized loss (gain) on investments	17 261	1 756
(Increase) decrease in accrued receivables	(368)	(98)
Increase (decrease) in accrued payables	–	–
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(254 928)	(518 701)
Proceeds from sale and maturity of investments	281 230	528 931
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	28 066	11 899
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	18 188	25 049
Cash paid on redemption of redeemable units	(46 249)	(36 946)
Distributions paid to holders of redeemable units	–	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (28 061)	\$ (11 897)
Net increase (decrease) in cash for the period	5	2
Cash (bank overdraft), beginning of period	315	319
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 320	\$ 321
Interest received (paid)	\$ 72	\$ 64
Dividends received, net of withholding taxes	\$ 1 695	\$ 1 591

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

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

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 971	\$ 917	\$ 294 658	\$ 290 835	\$ 295 629	\$ 291 752
INCREASE (DECREASE) IN NAV	40	7	13 768	4 002	13 808	4 009
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	—	—	18 208	18 876	18 208	18 876
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—
Redemption of redeemable units	—	—	(46 249)	(38 071)	(46 249)	(38 071)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	—	—	(28 041)	(19 195)	(28 041)	(19 195)
Distributions from net income	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	40	7	(14 273)	(15 193)	(14 233)	(15 186)
NAV AT END OF PERIOD	\$ 1 011	\$ 924	\$ 280 385	\$ 275 642	\$ 281 396	\$ 276 566

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

PHILLIPS, HAGER & NORTH SMALL FLOAT FUND

June 30, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing generally in a diversified portfolio of common stocks of small-float, high-quality Canadian companies.

All outstanding Series A units were renamed Series F units effective June 28, 2018.

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

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

	June 30 2018	December 31 2017
Investment mix		
Industrials	30.1	26.5
Consumer Discretionary	22.1	26.6
Consumer Staples	10.3	7.8
Information Technology	8.4	6.8
Real Estate	7.7	7.0
Materials	7.4	7.8
Energy	6.6	8.1
Financials	5.0	5.9
Cash/Other	2.4	3.5
Total	100.0	100.0

Other price risk (% impact on NAV)

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

	June 30 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.9	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2018 and December 31, 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	274 651	–	–	274 651
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 225	–	11 225
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	274 651	11 225	–	285 876
% of total portfolio	96.1	3.9	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	285 482	–	–	285 482
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	9 423	–	9 423
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	285 482	9 423	–	294 905
% of total portfolio	96.8	3.2	–	100.0

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Administration fees
Series F	1.00%	0.00%
Series O	n/a*	0.00%

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

PHILLIPS, HAGER & NORTH SMALL FLOAT FUND

June 30, 2018

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

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

	June 30 2018	December 31 2017
Units held		
Series F	39	39
Series O	43	43
Value of all units	3	3

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	30 828
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended June 30
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	29	29
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	29	29
Series O		
Opening units	9 056	9 453
Issued number of units	573	604
Reinvested number of units	–	–
Redeemed number of units	(1 395)	(1 214)
Ending number of units	8 234	8 843

Transaction costs (\$000s except %)

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Total transaction costs	71	100	136	100
Related-party brokerage commissions*	6	8	1	1
Commission arrangements [†]	4	6	8	6

* See note 8 in the generic notes.

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

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

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

	June 30 2018	December 31 2017
Phillips, Hager & North Canadian Equity Fund	43.4	42.4
Phillips, Hager & North Canadian Equity Pension Trust	18.5	16.7
Phillips, Hager & North Canadian Equity Plus Pension Trust	3.4	3.6
RBC Total Return Growth Fund	–	–
Total	65.3	62.7

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

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY
PLUS PENSION TRUST

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
EQUITIES				
CANADIAN EQUITIES				
Consumer Discretionary				
26 770	Dollarama Inc.	\$ 554	\$ 1 364	
19 700	Gildan Activewear Inc., Class A	636	729	
26 320	Quebecor Inc., Class B	500	709	
5 865	Restaurant Brands International Inc.	253	465	
57 980	Shaw Communications Inc., Class B	1 584	1 553	
		3 527	4 820	4.6
Consumer Staples				
29 560	Alimentation Couche-Tard Inc.	914	1 688	
		914	1 688	1.6
Energy				
47 400	ARC Resources Ltd.	896	644	
16 640	Cameco Corp.	469	246	
59 270	Canadian Natural Resources Ltd.	2 294	2 812	
38 604	Cenovus Energy Inc.	719	527	
89 120	Enbridge Inc.	4 265	4 189	
65 540	Encana Corp.	948	1 125	
18 452	Keyera Corp.	690	675	
8 370	Pembina Pipeline Corp.	271	381	
22 600	PrairieSky Royalty Ltd.	592	586	
50 720	Raging River Exploration Inc.	389	289	
53 960	Seven Generations Energy Ltd.	1 030	782	
48 582	Suncor Energy Inc.	1 994	2 599	
21 602	Tourmaline Oil Corp.	688	507	
27 145	TransCanada Corp.	1 573	1 544	
78 200	Whitecap Resources Inc.	686	697	
		17 504	17 603	16.9
Financials				
25 530	Bank of Montreal	2 237	2 594	
56 670	Bank of Nova Scotia	3 260	4 219	
69 310	Brookfield Asset Management Inc., Class A	2 099	3 696	
16 860	Canadian Imperial Bank of Commerce	1 785	1 928	
45 970	Element Fleet Management Corp.	582	284	
2 080	Fairfax Financial Holdings Ltd.	1 248	1 532	
11 300	Industrial Alliance Insurance & Financial Services Inc.	641	573	
9 883	Intact Financial Corp.	941	922	
104 350	Manulife Financial Corporation	1 967	2 465	
57 620	Royal Bank of Canada*	2 934	5 704	
18 870	Sun Life Financial Inc.	886	997	
15 540	Thomson Corp.	655	824	
87 230	Toronto-Dominion Bank	2 386	6 637	
		21 621	32 375	31.1

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
83 100	Bombardier Inc., Class B	\$ 332	\$ 432	
29 490	Canadian National Railway Co.	1 497	3 171	
3 460	Canadian Pacific Railway Ltd.	682	834	
15 000	SNC-Lavalin Group Inc.	855	871	
11 360	Stantec Inc.	395	384	
13 680	Waste Connections Inc.	887	1 355	
		4 648	7 047	6.8
Information Technology				
26 900	CGI Group Inc., Class A	1 238	2 241	
690	Constellation Software Inc.	375	703	
29 236	Open Text Corp.	1 075	1 353	
		2 688	4 297	4.1
Materials				
11 242	Agnico Eagle Mines Ltd.	475	678	
18 464	Alamos Gold Inc., Class A	151	138	
83 074	B2Gold Corp.	323	283	
21 800	Barrick Gold Corp.	448	376	
41 660	Belo Sun Mining Corp.	35	10	
4 650	CCL Industries, Class B	249	300	
22 020	Continental Gold Inc.	142	83	
12 500	Detour Gold Corp.	213	148	
10 025	Endeavour Mining Corp.	203	236	
54 490	First Quantum Minerals Ltd.	760	1 055	
4 690	Franco-Nevada Corp.	358	450	
29 750	Goldcorp Inc.	696	537	
16 816	IAMGOLD Corporation	122	129	
31 470	Kinross Gold Corp.	164	156	
14 380	Kirkland Lake Gold Ltd.	216	400	
20 584	Nutrien Ltd.	1 280	1 472	
37 970	OceanaGold Corp.	154	139	
16 980	Semafo Inc.	66	65	
18 920	Teck Resources Ltd., Class B	551	634	
12 240	Torex Gold Resources Inc.	239	143	
34 040	Turquoise Hill Resources Ltd.	220	127	
12 150	Wheaton Precious Metals Corp.	344	353	
		7 409	7 912	7.6
Real Estate				
25 510	Brookfield Property Partners LP	723	637	
20 990	First Capital Realty Inc.	420	434	
		1 143	1 071	1.0
Telecommunication Services				
5 650	Rogers Communications Inc., Class B	185	353	
10 300	TELUS Corp.	270	481	
		455	834	0.8

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PLUS PENSION TRUST

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
13 310	Brookfield Infrastructure Partners LP	\$ 519	\$ 671	
31 000	Fortis Inc.	1 284	1 303	
		1 803	1 974	1.9
TOTAL CANADIAN EQUITIES		61 712	79 621	76.4
UNITED STATES EQUITIES				
Consumer Staples				
16 840	PepsiCo Inc.	1 116	2 411	
		1 116	2 411	2.3
Financials				
26 350	Wells Fargo & Company	640	1 922	
		640	1 922	1.9
Health Care				
6 640	Johnson & Johnson	434	1 059	
3 230	Varex Imaging Corp.	68	157	
6 840	Varian Medical Systems Inc.	411	1 023	
		913	2 239	2.2
Industrials				
18 730	Emerson Electric Co.	819	1 702	
3 870	Illinois Tool Works Inc.	178	705	
4 460	United Technologies Corp.	338	733	
		1 335	3 140	3.0
Information Technology				
13 370	Cisco Systems Inc.	355	756	
21 110	Microsoft Corp.	660	2 737	
23 180	Oracle Corporation	677	1 343	
		1 692	4 836	4.7
TOTAL UNITED STATES EQUITIES		5 696	14 548	14.1
TOTAL EQUITIES		67 408	94 169	90.5
UNDERLYING FUNDS				
284 659	Phillips, Hager & North Small Float Fund*	3 418	9 694	
TOTAL UNDERLYING FUNDS		3 418	9 694	9.3
SHORT-TERM INVESTMENTS[†]		50	50	0.1
TOTAL INVESTMENTS		70 876	103 913	99.9
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	6	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	(232)	(0.2)
TOTAL PORTFOLIO		\$ 70 876	103 687	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			303	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 103 990	100.0

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 184 Sold CAD 235 @ 0.7814	20-Jul-2018	\$ 6
		\$ 6

Contracts	Maturity Date	Unrealized Loss
Bought CAD 1 055 Sold USD 830 @ 1.2713	20-Jul-2018	\$ (36)
Bought CAD 10 323 Sold USD 7 976 @ 1.2942	03-Aug-2018	(156)
Bought USD 50 Sold CAD 66 @ 0.7530	03-Aug-2018	(1)
Bought CAD 3 428 Sold USD 2 641 @ 1.2980	26-Sep-2018	(39)
		\$ (232)
TOTAL FOREIGN EXCHANGE		\$ (226)

All counterparties have a credit rating of at least A.

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.46% and mature on July 6, 2018.

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
PLUS PENSION TRUST**
Statements of Financial Position (unaudited)

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 103 913	\$ 112 888
Cash	292	627
Due from investment dealers	3	69
Subscriptions receivable	1	7
Unrealized gain on foreign exchange contracts	6	17
Dividends receivable, interest accrued and other assets	157	189
TOTAL ASSETS	104 372	113 797
LIABILITIES		
Due to investment dealers	88	25
Redemptions payable	59	160
Unrealized loss on foreign exchange contracts	232	93
Accounts payable and accrued expenses	3	5
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	382	283
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 103 990	\$ 113 514
Investments at cost	\$ 70 876	\$ 75 672
NAV		
SERIES F	\$ 269	\$ 1 513
SERIES O	\$ 103 721	\$ 112 001
NAV PER UNIT		
SERIES F	\$ 89.04	\$ 88.46
SERIES O	\$ 109.67	\$ 108.66

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 305	\$ 1 544
Interest for distribution purposes	3	4
Derivative income	(581)	(281)
Net realized gain (loss) on investments	4 462	4 551
Change in unrealized gain (loss) on investments	(4 329)	(4 419)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	860	1 399
Securities lending revenue (see note 7 in the generic notes)	3	–
Net gain (loss) on foreign cash balances	15	(10)
TOTAL OTHER INCOME (LOSS)	18	(10)
TOTAL INCOME (LOSS)	878	1 389
EXPENSES (see notes – Fund Specific Information)		
Management fees	3	4
Administration fees	14	17
Independent Review Committee costs	1	1
GST/HST	1	2
Transaction costs	23	24
Withholding tax	28	33
TOTAL EXPENSES	70	81
INCREASE (DECREASE) IN NAV	\$ 808	\$ 1 308
INCREASE (DECREASE) IN NAV		
SERIES F	\$ 13	\$ 11
SERIES O	\$ 795	\$ 1 297
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES F	\$ 0.91	\$ 0.67
SERIES O	\$ 0.82	\$ 1.15

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PLUS PENSION TRUST**Statements of Cash Flow** (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 808	\$ 1 308
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(4 437)	(4 528)
Change in unrealized loss (gain) on investments	4 329	4 419
(Increase) decrease in accrued receivables	32	12
Increase (decrease) in accrued payables	(2)	2
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(25 429)	(46 423)
Proceeds from sale and maturity of investments	34 791	50 406
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	10 092	5 196
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 000	2 958
Cash paid on redemption of redeemable units	(13 427)	(8 002)
Distributions paid to holders of redeemable units	–	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (10 427)	\$ (5 044)
Net increase (decrease) in cash for the period	(335)	152
Cash (bank overdraft), beginning of period	627	316
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 292	\$ 468
Interest received (paid)	\$ 3	\$ 4
Dividends received, net of withholding taxes	\$ 1 309	\$ 1 523

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

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
PLUS PENSION TRUST**
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1 513	\$ 1 456	\$ 112 001	\$ 117 394	\$ 113 514	\$ 118 850
INCREASE (DECREASE) IN NAV	13	11	795	1 297	808	1 308
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	347	7	2 647	2 984	2 994	2 991
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—
Redemption of redeemable units	(1 604)	(34)	(11 722)	(7 078)	(13 326)	(7 112)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 257)	(27)	(9 075)	(4 094)	(10 332)	(4 121)
Distributions from net income	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(1 244)	(16)	(8 280)	(2 797)	(9 524)	(2 813)
NAV AT END OF PERIOD	\$ 269	\$ 1 440	\$ 103 721	\$ 114 597	\$ 103 990	\$ 116 037

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

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
 PLUS PENSION TRUST**

June 30, 2018

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks that are qualified investments for registered Canadian pension plans. The Fund may also invest a portion of its assets in U.S. and international securities.

All outstanding Series A units were renamed Series F units effective June 28, 2018.

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

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

	June 30 2018	December 31 2017
Investment mix		
Financials	33.0	33.7
Energy	16.9	18.6
Industrials	9.8	8.2
Underlying Funds	9.3	9.3
Information Technology	8.8	7.6
Materials	7.6	5.9
Consumer Discretionary	4.6	5.1
Consumer Staples	3.9	4.7
Health Care	2.2	2.2
Utilities	1.9	1.3
Real Estate	1.0	1.5
Telecommunication Services	0.8	0.8
Cash/Other	0.2	1.1
Total	100.0	100.0

Currency risk (% of NAV)

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

Other price risk (% impact on NAV)

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

	June 30 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.1

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

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

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

The following is a summary of the inputs used as of June 30, 2018 and December 31, 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	94 169	–	–	94 169
Underlying funds	9 694	–	–	9 694
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	50	–	50
Derivatives – assets	–	6	–	6
Derivatives – liabilities	–	(232)	–	(232)
Total financial instruments	103 863	(176)	–	103 687
% of total portfolio	100.2	(0.2)	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	101 757	–	–	101 757
Underlying funds	10 506	–	–	10 506
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	625	–	625
Derivatives – assets	–	17	–	17
Derivatives – liabilities	–	(93)	–	(93)
Total financial instruments	112 263	549	–	112 812
% of total portfolio	99.5	0.5	–	100.0

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Administration fees
Series F	0.50%	0.06%
Series O	n/a*	0.03%

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

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
 PLUS PENSION TRUST**

June 30, 2018

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

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

	June 30 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Small Float Fund	9.3	3.4	9.3	3.6

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	18 347
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended June 30
(see note 2 in the generic notes)

	2018	2017
Series F		
Opening units	17	17
Issued number of units	4	–
Reinvested number of units	–	–
Redeemed number of units	(18)	–
Ending number of units	3	17
Series O		
Opening units	1 031	1 147
Issued number of units	25	29
Reinvested number of units	–	–
Redeemed number of units	(110)	(68)
Ending number of units	946	1 108

Transaction costs (\$000s except %)

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Total transaction costs	23	100	24	100
Related-party brokerage commissions*	3	13	2	8
Commission arrangements†	–	–	2	8

* See note 8 in the generic notes.

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

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

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

	June 30 2018	June 30 2017
Fair value of securities loaned	2 654	–
Fair value of collateral received	2 707	–

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Gross revenue	4	100	–	–
RBC IS (paid)	(1)	(25)	–	–
Tax withheld	–	–	–	–
Fund revenue	3	75	–	–

1. The Funds

The mutual funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on August 9, 2018.

The Funds may issue an unlimited number of units in some or all of Series F, Series N and Series O.

Series F units are only available to investors who have fee-based accounts with their dealer.

Series N units are only available to related mutual funds.

Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series O units may only be purchased, switched or redeemed through RBC GAM or, in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial period

The information provided in these financial statements and notes thereto is for the six-month periods ended June 30, 2018 and 2017, or as at June 30, 2018 and December 31, 2017, as applicable. In the year a Fund or series is established, “period” represents the period from inception to June 30 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies of the Funds, which are investment entities, are as follows:

Adoption of New Accounting Standards Effective January 1, 2018, the Funds adopted IFRS 9 Financial Instruments. The new standard requires financial assets to be classified as amortized cost and fair value, with changes in fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial

assets. Assessment and decision on the business model approach used is an accounting judgment.

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the current or comparative period. The Funds’ financial assets and financial liabilities previously designated as FVTPL under IAS 39 Financial Instruments continue to be measured as FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost.

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classify their investment and derivative portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets, liabilities and derivatives is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds’ debt securities are solely principal and interest; however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model objectives. Consequently, all investments and derivative contracts are measured at FVTPL.

The Funds’ obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds’ outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds (“ETFs”) managed by the manager or an affiliate of the manager (“sponsored funds”) and may invest in other Funds and ETFs managed by unaffiliated entities (“unsponsored funds”); collectively, “underlying funds.” The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are

susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of

Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any unrealized gain or loss at the close of business on each valuation date is recorded as "Change in unrealized gain (loss) on investments" in the Statements of

Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in “Derivative income” in the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are mutual funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. Management also has procedures in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at fair value. The carrying amount of cash approximates its fair value because it is short-term in nature.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements

of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income” in the Statements of Comprehensive Income.

Functional Currency The Funds have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, realized and unrealized gains and losses on investments is average cost which does not include amortization of premiums or discounts on fixed income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

CAD – Canadian dollar

USD – United States dollar

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds' accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds' assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund's capital, which is its NAV and consists primarily of its financial instruments.

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives, and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees

each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units.

Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of its assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its NAV for the purpose of funding redemptions. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

6. Taxes

The Funds qualify as open-ended mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the day-to-day operations of, and provides investment advice and portfolio management services to, the Funds. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, and the costs of preparing and distributing annual and interim reports, prospectuses, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). Other Fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a

portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund.

However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund’s ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

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

Distributors

RBC GAM, Royal Mutual Funds Inc., and RBC Dominion Securities Inc. are principal distributors of, or may distribute certain series of units of, the Funds.

Registrars

RBC GAM, RBC IS or Royal Bank (or a combination thereof) are the registrars of the Funds and keep records of who owns the units of the Funds. The registrars also process orders and issue account statements. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Trustee and Custodian

RBC IS is the trustee and custodian of the Funds. RBC IS holds title to the Fund’s property on behalf of unitholders and holds the assets of the Funds. RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM, RBC IS or Royal Bank (or a combination thereof) are the registrars of the Funds and keep records of who owns the units of the Funds. The registrars also process orders and issue account statements. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Securities Lending Agent

To the extent a Fund may engage in securities lending transactions, RBC IS may act as the Fund’s securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the Independent Review Committee with respect to one or more of the following related-party transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities: (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

9. Revision of comparative information

Where applicable, certain comparative figures on the Statements of Cash Flow have been revised.

Amounts reclassified to “Non-cash distributions from underlying funds” have been presented separately from amounts related to “Cost of investments purchased” to appropriately reflect the non-cash components of investments purchased. The impact on the “Net cash provided by (used in) operating activities” is nil.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

Phillips, Hager & North Balanced Pension Trust

Where applicable, certain comparative figures on the Statements of Comprehensive Income have been revised due to the implementation of IFRS 9. Certain amounts previously recorded as “Net gain (loss) on foreign currencies and other net assets,” “Other derivatives” and “Net gain (loss) from futures contracts” are now recorded as “Derivative income.” And certain amounts previously recorded as “Other income (loss)” are now recorded as “Income from investment trusts.”

Comparative figures on the Statements of Comprehensive Income have been revised for the following funds:

Phillips, Hager & North Balanced Pension Trust,
 Phillips, Hager & North Conservative Equity Income Fund,
 Phillips, Hager & North Small Float Fund and
 Phillips, Hager & North Canadian Equity Plus Pension Trust.

If you have questions regarding Phillips, Hager & North Pension Trust, please contact us using the following options:

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