

PHILLIPS, HAGER & NORTH FUNDS

2014 Pension Trusts Semi-Annual Report

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BALANCED FUND

**PHILLIPS, HAGER & NORTH
BALANCED PENSION TRUST***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

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 semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual 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, we invest 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, 2014.

Over the past six months, the Fund's Series A units returned 8.0%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Led by North America and other developed markets, the global economy has continued to gain traction. While some risks have faded, such as the threat of deflation, geopolitical risks have mounted and emerging-market credit excesses remain largely unaddressed. Equity markets recorded more modest returns in the first half of 2014, following last year's significant gains in developed markets, and global bond markets rallied. Speculation abounded that the U.S. Federal Reserve (the "Fed") was drawing closer to raising short-term interest rates, leading to a greater degree of comfort that the economy is indeed improving and the global financial crisis is finally behind us.

As the first half of 2014 came to a close, the major central banks had diverging views on the path for monetary policy. Some countries such as the U.K. and the U.S. will look to tighten monetary policy in the next year. However, in the Eurozone and Japan, the course of monetary policy continues to be towards more, rather than less, stimulus in an effort to boost inflation and economic growth.

The Fund's overweight allocation to equities and underweight position in bonds had a positive effect on overall performance.

U.S. bond yields started 2014 near their highest levels in almost three years after signs the Fed would begin scaling back measures aimed at helping the economy recover from the financial crisis. Since then, yields have trended lower, held down by demand for the relative safety of Treasuries amid geopolitical risks and concerns about the

tepid pace of U.S. economic growth. Also holding down yields was demand for fixed income from pension funds and bank demand for government bonds fulfilling new regulatory changes. The Fund's only fixed-income holding, the Phillips, Hager & North Bond Fund, had a positive impact on portfolio returns.

Stock indexes continued their trend higher, but with far less enthusiasm than in 2013. Canada's S&P/TSX Composite Index outpaced most other developed market indexes during the first half of 2014, including the S&P 500. The Energy sector was the driving force behind the strong Canadian performance, as rising prices for oil and natural gas boosted profits in a sector that had lagged in recent years. U.S. stocks rose amid continued earnings growth and low interest rates. After a strong start to the year, Eurozone equities dropped in February on concern that deflation was starting to take root. This prompted the European Central Bank to hint that it would take steps to bolster asset prices, and these measures were delivered in June. Asian markets remained fairly volatile over the period, particularly Japan and China, which were weak in the first quarter but bounced back in the subsequent three months. All of the Fund's equity holdings had a positive contribution to performance, led by the Phillips, Hager & North Canadian Equity Underlying Fund.

Recent Developments

The portfolio manager continues to subscribe to an economic-normalization thesis, with the revival of risk appetite in 2013 and the abatement of fiscal austerity in 2014 enabling materially faster growth for the rest of this year and beyond. Bond yields should gradually rise as the economy continues to normalize. The Fund has maintained below-benchmark exposure to fixed income, recognizing that rising bond yields will likely lead to low total returns. As the recovery gains traction, higher growth should translate into expanding sales and earnings, supporting the stock market's next move higher. The portfolio manager anticipates that returns for equities will be lower given current valuations. However, expectations that stocks will continue to outperform bonds means that the Fund's asset mix remains tilted toward equities.

Related-Party Transactions

Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor 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. 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.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as 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 BoG 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, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual 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 accordance 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" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2014	18.46	0.13	(0.05)	0.16	1.24	1.48	(0.16)	–	–	–	(0.16)	19.77
Dec. 31, 2013	16.49	0.38	(0.10)	0.24	1.74	2.26	(0.16)	(0.14)	–	–	(0.30)	18.46
Dec. 31, 2012	15.65	0.45	(0.09)	(0.21)	1.09	1.24	(0.18)	(0.23)	–	–	(0.41)	16.49
Dec. 31, 2011	16.56	0.51	(0.09)	1.24	(2.15)	(0.49)	(0.22)	(0.18)	–	–	(0.40)	15.65
Dec. 31, 2010	15.62	0.51	(0.09)	0.26	0.66	1.34	(0.23)	(0.22)	–	–	(0.45)	16.56
Dec. 31, 2009	13.43	0.55	(0.08)	(0.36)	2.33	2.44	(0.31)	(0.12)	–	–	(0.43)	15.62
Series O												
June 30, 2014	18.30	0.12	–	0.15	1.23	1.50	(0.20)	–	–	–	(0.20)	19.61
Dec. 31, 2013	16.32	0.38	–	0.24	1.72	2.34	(0.19)	(0.17)	–	–	(0.36)	18.30
Dec. 31, 2012	15.48	0.45	–	(0.21)	1.08	1.32	(0.22)	(0.27)	–	–	(0.49)	16.32
Dec. 31, 2011	16.41	0.50	–	1.23	(2.13)	(0.40)	(0.29)	(0.23)	–	–	(0.52)	15.48
Dec. 31, 2010	15.48	0.50	–	0.26	0.66	1.42	(0.27)	(0.26)	–	–	(0.53)	16.41
Dec. 31, 2009	13.37	0.53	–	(0.37)	2.49	2.65	(0.41)	(0.16)	–	–	(0.57)	15.48

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

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

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2014	19.77	395 091	19 988	0.59	0.59	23.82	0.08
Dec. 31, 2013	18.46	376 545	20 400	0.60	0.60	28.01	0.12
Dec. 31, 2012	16.49	318 627	19 324	0.60	0.60	14.62	0.12
Dec. 31, 2011	15.65	355 303	22 706	0.61	0.61	125.90	0.02
Dec. 31, 2010	16.57	424 343	25 605	0.58	0.58	60.78	0.11
Dec. 31, 2009	15.64	395 584	25 288	0.55 ⁴	0.55	54.76	0.08
Series O							
June 30, 2014	19.61	934 353	47 638	0.03	0.03	23.82	0.08
Dec. 31, 2013	18.30	908 067	49 611	0.04	0.04	28.01	0.12
Dec. 31, 2012	16.32	906 186	55 526	0.04	0.04	14.62	0.12
Dec. 31, 2011	15.48	1 027 734	66 371	0.05	0.05	125.90	0.02
Dec. 31, 2010	16.43	1 209 761	73 629	0.04	0.04	60.78	0.11
Dec. 31, 2009	15.51	1 414 864	91 249	0.02 ⁴	0.02	54.76	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 a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series A – 0.55%, Series O – 0.03%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

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

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

Series 0 – no management fees are paid by the Fund in respect of Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

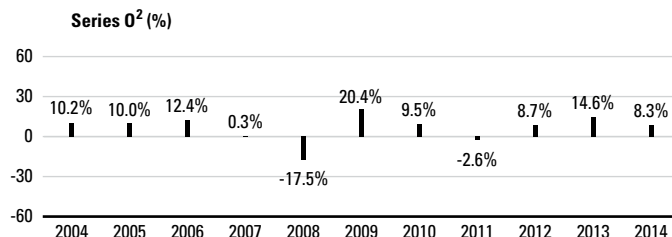
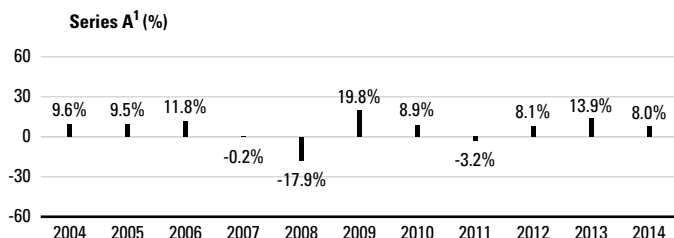
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



¹ Inception date July 2001. Although Series A units of the Fund were created in September 1988, units were not offered for sale under a simplified prospectus until July 2001. We are therefore not permitted to disclose performance data for this Fund for any period prior to July 2001.

² Inception date October 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Canadian equities	36.1
Bonds	28.1
U.S. equities	15.6
Overseas equities	9.6
Mortgages	0.2
Cash/Other	10.4

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Canadian Equity Underlying Fund	36.3
Phillips, Hager & North Bond Fund	32.1
RBC QUBE Global Equity Fund	12.6
Phillips, Hager & North U.S. Equity Fund	8.5
RBC Institutional Cash Fund	5.5
Phillips, Hager & North Overseas Equity Pension Trust	4.6
Cash & Cash Equivalents	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

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

The simplified prospectus and other information about the underlying funds is available on SEDAR website at www.sedar.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY PENSION TRUST***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in common shares of Canadian companies, which are chosen primarily for their growth potential. To achieve the Fund's investment objective, we invest in companies that we 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 \$51.0 million as of June 30, 2014.

Over the past six months, the Fund's units returned 13.0%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. In the Fund, the portfolio manager added value in seven out of 10 sectors, with Materials, Financials and Industrials being the strongest contributors. The Materials sector was the most significant contributor to performance during the reporting period, driven by strong stock selection. In terms of security selection, overweight positions in CCL Industries and Primero Mining contributed to performance.

The Energy sector was the largest detractor to relative performance due to an underweight position in the strongest sector of the market and not owning two of the strongest pipeline companies, Pembina Pipeline (+25%) and Inter Pipeline (+31%) as compared to the Fund's benchmark, the S&P/TSX Capped Composite Total Return Index.

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions

Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor 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. 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.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$2,000 (2013 – \$2,000), or 11% (2013 – 11%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as 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 BoG 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, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual 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 accordance 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" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series 0												
June 30, 2014	7.01	0.09	–	0.36	0.46	0.91	–	–	–	–	–	7.93
Dec. 31, 2013	6.00	0.17	–	0.17	0.84	1.18	(0.01)	(0.18)	–	–	(0.19)	7.01
Dec. 31, 2012	5.59	0.15	–	–	0.45	0.60	–	(0.16)	–	–	(0.16)	6.00
Dec. 31, 2011	10.54	0.24	–	1.37	(2.28)	(0.67)	(0.03)	(0.65)	(3.21)	–	(3.89)	5.59
Dec. 31, 2010	9.51	0.24	–	0.62	0.37	1.23	(0.02)	(0.28)	–	–	(0.30)	10.54
Dec. 31, 2009	7.26	0.25	–	(0.34)	2.61	2.52	(0.02)	(0.32)	–	–	(0.34)	9.51

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, 2014	7.93	50 979	6 431	0.04	0.04	28.28	0.09
Dec. 31, 2013	7.01	48 746	6 951	0.04	0.04	35.43	0.08
Dec. 31, 2012	6.01	43 696	7 274	0.04	0.04	52.49	0.16
Dec. 31, 2011	5.60	41 321	7 382	0.04	0.04	80.84	0.17
Dec. 31, 2010	10.56	179 736	17 016	0.03	0.03	37.88	0.14
Dec. 31, 2009	9.53	228 293	23 959	0.03 ⁴	0.03	47.61	0.14

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

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between 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 a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series 0 – 0.03%.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

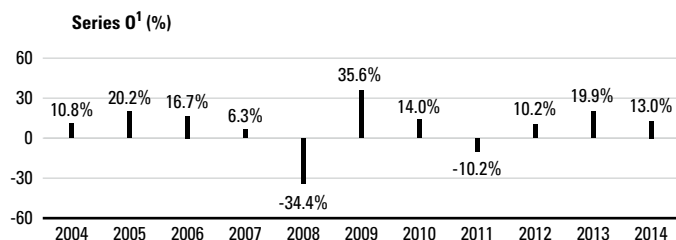
The Fund does not pay a management fee with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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.



¹ Inception date June 2004.

Although Series O units of the Fund were created in March 1998, units were not offered for sale under a simplified prospectus until June 2004. We are therefore not permitted to disclose performance data for this Fund for any period prior to June 2004.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	34.9
Energy	24.6
Materials	10.7
Industrials	7.6
Consumer Discretionary	7.2
Consumer Staples	4.1
Information Technology	3.3
Telecommunication Services	3.2
Health Care	3.2
Utilities	0.6
Index Fund	0.2
Cash/Other	0.4

Top 25 Holdings

	% of Net Asset Value
Phillips, Hager & North Small Float Fund	12.5
Toronto-Dominion Bank	7.4
Royal Bank of Canada	6.7
Bank of Nova Scotia	6.1
Suncor Energy Inc.	4.3
Canadian Natural Resources Ltd.	4.1
Canadian National Railway Co.	3.2
Enbridge Inc.	3.1
Manulife Financial Corporation	3.0
Valeant Pharmaceuticals International Inc.	2.6
Cenovus Energy Inc.	2.4
Brookfield Asset Management Inc., Class A	2.3
ARC Resources Ltd.	2.0
TELUS Corp.	1.9
Potash Corporation of Saskatchewan Inc.	1.9
Bank of Montreal	1.7
TransCanada Corp.	1.7
Alimentation Couche-Tard Inc.	1.6
Power Corporation of Canada	1.5
CGI Group Inc., Class A	1.5
Magna International Inc., Class A	1.3
Rogers Communications Inc., Class B	1.3
Crescent Point Energy Corp.	1.3
Talisman Energy Inc.	1.2
SNC-Lavalin Group Inc.	1.0
Top 25 Holdings	77.6

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 is available on SEDAR website at www.sedar.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
SMALL FLOAT FUND***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

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 semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual 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, we generally invest in small capitalization growth companies that we 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 \$282.5 million as of June 30, 2014.

Over the past six months, the Fund's Series A units returned 13.4%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. The portfolio manager added value in eight out of 10 sectors, with Financials, Materials and Energy being the strongest contributors.

The Financials sector was one of the most significant contributors to performance during the reporting period, driven by an overweight position and strong stock selection. Positions in Canaccord Genuity Group (+69%) and Home Capital Group (+19%) contributed to performance. In terms of stock selection within the Fund, Linamar (+43%) performed well due to strong earnings results driven by the global auto sector recovery, improving plant efficiencies and market share gains.

During the reporting period, holdings within the Consumer Discretionary sector detracted from performance, due to an overweight position in RONA (-13%) and leisure products company Bombardier Recreational Products (-13%).

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations, the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions

Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor 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. 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.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$22,000 (2013 – \$33,000), or 11% (2013 – 14%) 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 Board of Governors ("BoG") in its capacity as 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 BoG 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, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual 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 accordance 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" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2014	24.26	0.17	(0.14)	5.13	(1.94)	3.22	–	–	–	–	–	27.50
Dec. 31, 2013	16.45	0.31	(0.21)	3.43	4.14	7.67	–	(0.10)	–	–	(0.10)	24.23
Dec. 31, 2012	14.62	0.26	(0.17)	1.01	0.87	1.97	–	(0.08)	–	–	(0.08)	16.45
Dec. 31, 2011	15.33	0.38	(0.16)	4.01	(4.27)	(0.04)	–	(0.41)	–	–	(0.41)	14.62
Dec. 31, 2010	13.09	0.22	(0.14)	1.82	0.38	2.28	(0.01)	(0.10)	–	–	(0.11)	15.33
Dec. 31, 2009	9.32	0.24	(0.11)	(3.80)	7.00	3.33	(0.02)	(0.10)	–	–	(0.12)	13.09
Series O												
June 30, 2014	23.42	0.16	–	4.94	(1.86)	3.24	–	–	–	–	–	26.69
Dec. 31, 2013	15.88	0.30	–	3.35	4.04	7.69	(0.01)	(0.34)	–	–	(0.35)	23.39
Dec. 31, 2012	14.12	0.25	–	0.97	0.84	2.06	–	(0.26)	–	–	(0.26)	15.88
Dec. 31, 2011	14.80	0.36	–	3.78	(4.02)	0.12	(0.01)	(0.55)	–	–	(0.56)	14.12
Dec. 31, 2010	12.65	0.22	–	1.77	0.36	2.35	(0.02)	(0.25)	–	–	(0.27)	14.80
Dec. 31, 2009	9.03	0.23	–	(3.20)	6.70	3.73	(0.05)	(0.20)	–	–	(0.25)	12.65

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

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

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2014	27.50	961	35	1.09	1.09	47.50	0.13
Dec. 31, 2013	24.26	848	35	1.09	1.09	40.65	0.16
Dec. 31, 2012	16.53	1 102	67	1.12	1.12	59.72	0.27
Dec. 31, 2011	14.69	863	59	1.12	1.12	106.15	0.48
Dec. 31, 2010	15.35	1 016	66	1.08	1.08	108.14	0.35
Dec. 31, 2009	13.14	778	59	1.05 ⁴	1.40	123.27	0.32
Series O							
June 30, 2014	26.69	281 524	10 549	–	–	47.50	0.13
Dec. 31, 2013	23.42	322 707	13 780	–	–	40.65	0.16
Dec. 31, 2012	15.96	285 213	17 866	–	–	59.72	0.27
Dec. 31, 2011	14.18	311 248	21 942	–	–	106.15	0.48
Dec. 31, 2010	14.83	645 701	43 553	–	–	108.14	0.35
Dec. 31, 2009	12.70	685 812	54 021	– ⁴	0.02	123.27	0.32

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

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

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

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Series O – 0.00%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.00%	—	100%

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

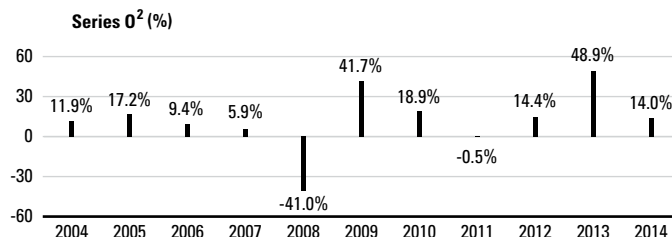
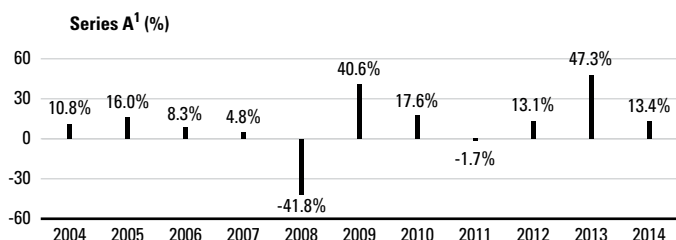
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



¹ Inception date October 2002.

² Inception date July 2002.

Although Series O units of the Fund were created in February 1994, units were not offered for sale under a simplified prospectus until July 2002. We are therefore not permitted to disclose performance data for this Fund for any period prior to July 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Industrials	20.6
Consumer Discretionary	20.6
Financials	18.6
Energy	16.6
Materials	10.3
Information Technology	7.0
Consumer Staples	2.8
Cash/Other	3.5

SUMMARY OF INVESTMENT PORTFOLIO (cont.)*(after consideration of derivative products, if any)**As at June 30, 2014***Top 25 Holdings**

	% of Net Asset Value
Badger Daylighting Ltd.	7.0
RONA Inc.	6.1
Element Financial Corp.	5.9
CCL Industries, Class B	4.7
Home Capital Group Inc.	4.6
Calfrac Well Services Ltd.	4.1
PrairieSky Royalty Ltd.	4.0
Boyd Group Income Fund	3.8
Cash & Cash Equivalents	3.7
Quebecor Inc., Class B	3.6
Richelieu Hardware Ltd.	3.5
Trinidad Drilling Ltd.	3.4
Cineplex Inc.	3.2
Linamar Corp.	3.0
Constellation Software Inc.	2.9
Trilogy Energy Corp.	2.8
Maple Leaf Foods Inc.	2.7
Toromont Industries Ltd.	2.6
First Service Corp.	2.3
Polaris Minerals Corp.	2.2
Element Financial Corp., Subscription Receipts	2.1
Secure Energy Services Inc.	2.0
MacDonald Dettwiler & Associates Ltd.	2.0
Stella-Jones Inc.	2.0
Stantec Inc.	1.8
Top 25 Holdings	86.0

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.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY PLUS
PENSION TRUST***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

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 semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual 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, we invest primarily in large-capitalization companies that we 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 \$162.4 million as of June 30, 2014.

Over the past six months, the Fund's Series A units returned 12.0%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, if any, which may vary because of differences in management fees and expenses.

The S&P/TSX Capped Composite Index maintained its positive momentum from last year and rallied 12.9% during the first half of 2014. In the Fund, the portfolio manager added value in five out of 10 sectors, with Financials, Telecommunication Services and Materials being the strongest contributors. The Financials sector was one of the most significant contributors to performance to start the year, driven by an overweight position and solid stock selection. In terms of security selection, the Fund held overweight positions in Wells Fargo & Co. (+18%) and CIBC (+9%), both of which contributed to performance.

The Energy sector was the largest detractor to relative performance due to an underweight position in the strongest sector of the market. Overweight positions in two U.S.-based companies, Emerson Electric (-4%) and United Technologies (-3%), also hurt performance.

Recent Developments

Stock markets, having continued to perform well even after the significant gains of 2013, appear to be approaching fair value. However, valuations remain reasonable and history indicates that markets frequently continue to rise long after they have reached equilibrium. At current market valuations the portfolio manager expects total returns to investors to be lower in 2014 versus those in 2013, although still positive. Volatility has so far remained low in 2014.

The portfolio manager expects any further gains to come from earnings growth rather than a rise in overall market valuations. As long as the economic recovery gains traction, the portfolio manager expects higher economic growth to translate into expanding sales and profits.

Related-Party Transactions

Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor 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. 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.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$5,000 (2013 – \$3,000), or 13% (2013 – 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 Board of Governors ("BoG") in its capacity as 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 BoG 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, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual 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 accordance 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" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2014	70.00	0.85	(0.23)	2.65	5.10	8.37	–	–	–	–	–	78.39
Dec. 31, 2013	58.94	1.60	(0.40)	1.43	9.64	12.27	(0.07)	(1.21)	–	–	(1.28)	69.99
Dec. 31, 2012	55.13	1.47	(0.37)	6.50	(1.93)	5.67	–	(1.85)	–	–	(1.85)	58.94
Dec. 31, 2011	62.55	1.48	(0.36)	1.78	(8.87)	(5.97)	–	(1.33)	–	–	(1.33)	55.13
Dec. 31, 2010	56.37	1.40	(0.34)	5.03	0.70	6.79	(0.10)	(1.18)	–	–	(1.28)	62.55
Dec. 31, 2009	42.76	1.50	(0.28)	(4.45)	17.69	14.46	(0.26)	(1.02)	–	–	(1.28)	56.37
Series O												
June 30, 2014	86.05	1.05	(0.02)	3.26	6.28	10.57	–	–	–	–	–	96.64
Dec. 31, 2013	72.48	1.97	(0.03)	1.76	11.88	15.58	(0.11)	(2.00)	–	–	(2.11)	86.03
Dec. 31, 2012	67.79	1.73	(0.02)	7.66	(2.28)	7.09	–	(2.71)	–	–	(2.71)	72.48
Dec. 31, 2011	76.92	1.82	(0.02)	2.19	(10.90)	(6.91)	–	(2.06)	–	–	(2.06)	67.79
Dec. 31, 2010	69.34	1.73	(0.02)	6.22	0.87	8.80	(0.16)	(1.88)	–	–	(2.04)	76.92
Dec. 31, 2009	52.67	1.84	(0.02)	(5.81)	22.74	18.75	(0.41)	(1.60)	–	–	(2.01)	69.34

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

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

**PHILLIPS, HAGER & NORTH 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 A							
June 30, 2014	78.39	5 982	76	0.63	0.63	20.25	0.07
Dec. 31, 2013	70.00	5 288	76	0.62	0.62	18.07	0.07
Dec. 31, 2012	59.02	4 357	74	0.64	0.64	45.24	0.19
Dec. 31, 2011	55.20	5 088	92	0.64	0.64	51.97	0.13
Dec. 31, 2010	62.64	5 850	93	0.60	0.60	49.20	0.17
Dec. 31, 2009	56.46	7 022	124	0.58 ⁴	0.58	75.82	0.19
Series O							
June 30, 2014	96.64	156 447	1 619	0.03	0.03	20.25	0.07
Dec. 31, 2013	86.05	144 957	1 685	0.03	0.03	18.07	0.07
Dec. 31, 2012	72.58	133 758	1 843	0.04	0.04	45.24	0.19
Dec. 31, 2011	67.88	261 282	3 849	0.03	0.03	51.97	0.13
Dec. 31, 2010	77.03	350 249	4 547	0.03	0.03	49.20	0.17
Dec. 31, 2009	69.45	404 905	5 830	0.03 ⁴	0.03	75.82	0.19

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

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between 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 a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series A – 0.59%, Series O – 0.03%.

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PLUS PENSION TRUST

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

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

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

Series 0 – no management fees are paid by the Fund in respect of Series 0 units. Series 0 unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

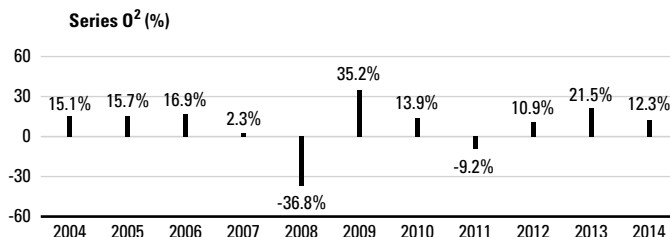
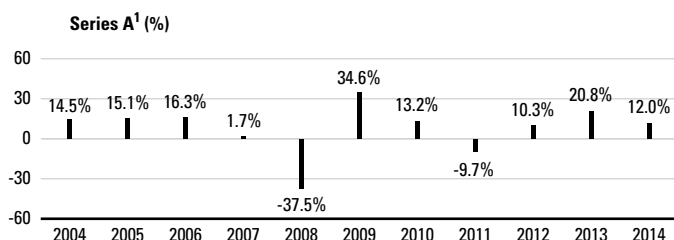
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



¹ Inception date February 1967.

² Inception date October 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix

	% of Net Asset Value
Financials	31.0
Energy	21.1
Industrials	11.0
Materials	9.0
Information Technology	6.7
Consumer Discretionary	6.1
Consumer Staples	5.8
Health Care	5.1
Telecommunication Services	2.6
Utilities	0.5
Index Fund	0.4
Cash/Other	0.7

**PHILLIPS, HAGER & NORTH CANADIAN EQUITY
PLUS PENSION TRUST****SUMMARY OF INVESTMENT PORTFOLIO (cont.)***(after consideration of derivative products, if any)**As at June 30, 2014***Top 25 Holdings**

	% of Net Asset Value
Phillips, Hager & North Small Float Fund	10.5
Toronto-Dominion Bank	6.2
Royal Bank of Canada	5.6
Bank of Nova Scotia	5.2
Suncor Energy Inc.	3.7
Canadian Natural Resources Ltd.	3.5
Canadian National Railway Co.	2.7
Enbridge Inc.	2.7
Manulife Financial Corporation	2.6
PepsiCo Inc.	2.3
Valeant Pharmaceuticals International Inc.	2.2
Cenovus Energy Inc.	2.1
United Technologies Corp.	2.0
Brookfield Asset Management Inc., Class A	2.0
Wells Fargo & Company	1.7
ARC Resources Ltd.	1.7
Potash Corporation of Saskatchewan Inc.	1.6
TELUS Corp.	1.6
Emerson Electric Co.	1.5
Microsoft Corp.	1.5
Bank of Montreal	1.5
TransCanada Corp.	1.4
Alimentation Couche-Tard Inc.	1.4
Johnson & Johnson	1.4
Power Corporation of Canada	1.3
Top 25 Holdings	69.9

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 is available on SEDAR website at www.sedar.com.

INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
OVERSEAS EQUITY PENSION TRUST***June 30, 2014***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*Sub-Advisor: *Sky Investment Counsel Inc. ("Sky")*

The Board of Directors of RBC Global Asset Management Inc. approved this semi-annual management report of fund performance on August 12, 2014.

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 semi-annual management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete semi-annual 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 international diversification by investing in common stocks of companies in Europe and the Far East (including Japan and Australia). To achieve the Fund's investment objective, we invest in companies that are attractively valued, possess sound fundamentals and have a strong market position.

Results of Operations

The Fund's net asset value was \$395.9 million as of June 30, 2014.

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

During the reporting period, European markets were led by the peripheral countries of Spain and Italy. Australia did not perform well in local currency, but was augmented by the strength of its currency. Emerging markets rebounded nicely. Brazil, in particular, enjoyed double-digit returns, after adjusting for a strong currency. The euro was flat against the Canadian dollar, as the European Central Bank moved to reduce interest rates. Japan was the worst-performing market, even after adjusting for a strong yen.

The Fund holds an overweight position in Europe and an underweight position in Japan, which helped performance. However, the Fund held an underweight position in Australia, which detracted as the Australian dollar was so strong. The Fund's exposure to Brazil contributed to returns.

It is surprising how resilient markets have been despite the geopolitical risk coming out of Russia, China and Iraq. Oil prices, however, did move up to reflect potential disruption from Iraq and this resulted in strong performance from the Energy sector. Over the past six months, defensive sectors such as Energy, Utilities, Health Care and Consumer Staples were the best performing. The Fund holds an overweight position in Energy and Health Care, which added to returns.

The underperformance of the Fund, relative to its benchmark, the MSCI EAFE Total Return Net Index (CAD), was caused by stock selection during the reporting period. In particular, four stocks from the UK lagged: Balfour Beatty, Serco, Barclays and GlaxoSmithKline. The portfolio manager still believes that Barclays offers attractive value, selling at 0.7 times book value despite a core business which is already generating a return of 12%. Similarly, they believe that Glaxo offers good value at a price earnings multiple of 14 times and offering a dividend yield of 4.0%.

During the reporting period, the top contributors to performance included Novartis, Telecom Italia, Renault and Nippon Telegraph & Telephone.

Recent Developments

Global markets have appreciated and the portfolio manager believes that valuations are fair. As interest rates remain low, investors have entered stock markets looking for higher returns. Many companies are cash-rich and acquisition activity has increased, helping to propel markets higher. The portfolio manager is cautious of geopolitical risk escalating from Russia and Iraq, as higher energy prices can be a drag on economic recovery.

Going forward, the portfolio manager will continue to hold an overweight position in Health Care and Energy, two defensive sectors where valuations still appear attractive. The portfolio manager continues to look for attractively valued companies with strong balance sheets and leadership positions in their industries, and emphasizes investments in companies that generate positive cash flow and can pay attractive dividends.

RBC GAM has appointed RBC Global Asset Management (UK) Limited, an affiliate of RBC GAM, as sub-advisor for the Fund effective mid-August, 2014. RBC GAM will continue to provide investment management oversight for the Fund.

Related-Party Transactions

Manager, Portfolio Advisor and Registrar

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank and is the manager, principal portfolio advisor 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. 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.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

Sky is the sub-advisor and provides investment advice for the Fund. RBC GAM has a non-controlling interest in Sky.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as 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 BoG 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, 2014), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited semi-annual 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 accordance 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" are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series 0												
June 30, 2014	10.26	0.25	–	1.28	(1.04)	0.49	–	–	–	–	–	10.72
Dec. 31, 2013	8.40	0.28	(0.01)	0.57	1.25	2.09	–	(0.35)	–	–	(0.35)	10.26
Dec. 31, 2012	7.36	0.27	(0.01)	(0.90)	1.97	1.33	–	(0.31)	–	–	(0.31)	8.40
Dec. 31, 2011	9.67	0.35	(0.01)	(0.43)	(1.86)	(1.95)	(0.38)	–	–	–	(0.38)	7.36
Dec. 31, 2010	9.41	0.28	(0.01)	0.65	(0.37)	0.55	–	(0.26)	–	–	(0.26)	9.67
Dec. 31, 2009	7.66	0.31	–	(0.50)	2.12	1.93	(0.33)	–	–	–	(0.33)	9.41

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, 2014	10.72	395 942	36 942	0.09	0.09	86.41	0.45
Dec. 31, 2013	10.26	486 141	47 396	0.09	0.09	88.92	0.41
Dec. 31, 2012	8.40	544 953	64 893	0.09	0.09	87.75	0.39
Dec. 31, 2011	7.36	566 285	76 914	0.09	0.09	66.40	0.35
Dec. 31, 2010	9.67	670 281	69 315	0.09	0.09	82.31	0.35
Dec. 31, 2009	9.42	635 527	67 433	0.04 ⁴	0.04	71.52	0.36

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

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between 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 a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective November 1, 2009, a fixed administration fee was introduced in respect of each series of the Fund. If the fixed administration fee would have been in effect throughout 2009, the adjusted MER for each series of the Fund would be: Series 0 – 0.08%.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

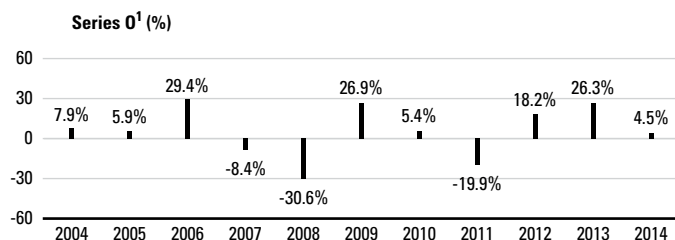
The Fund does not pay a management fee with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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.



¹ Inception date October 2002.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2014.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2014

Investment Mix – Sectors

	% of Net Asset Value
Financials	21.4
Health Care	18.6
Industrials	12.0
Energy	10.7
Consumer Staples	8.7
Materials	8.3
Telecommunication Services	5.9
Consumer Discretionary	4.7
Utilities	3.7
Information Technology	1.8
Cash/Other	4.2

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-U.K. Equities	46.2
U.K. Equities	24.5
Japanese Equities	12.1
Pacific ex-Japan Equities	6.0
U.S. Equities	4.1
Latin American Equities	2.9
Cash/Other	4.2

SUMMARY OF INVESTMENT PORTFOLIO (cont.)*(after consideration of derivative products, if any)**As at June 30, 2014***Top 25 Holdings**

	% of Net Asset Value
GlaxoSmithKline Plc.	4.7
Sanofi	4.6
Novartis AG	4.1
Roche Holdings AG Genussscheine	4.0
Cash & Cash Equivalents	3.9
Barclays Plc.	3.5
Nippon Telegraph & Telephone Corp.	3.2
Total S.A.	3.1
Direct Line Insurance Group Plc.	2.6
Itochu Corp.	2.3
Royal Dutch Shell Plc., A Shares	2.1
Balfour Beatty Plc.	2.1
TNT Express N.V.	2.1
Syngenta AG	1.9
Cia de Saneamento Basico do Estado de Sao Paulo ADR	1.7
Unilever Plc.	1.6
The Royal Bank of Scotland Group Plc.	1.6
Inpex Corp.	1.5
Yara International ASA	1.5
GDF Suez	1.5
Nestlé S.A.	1.5
Intesa Sanpaolo S.p.A.	1.4
Credit Suisse Group	1.4
Koninklijke Philips N.V.	1.4
Carillion Plc.	1.3
Top 25 Holdings	60.6

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.

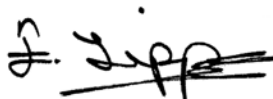
The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM"), as manager of the Phillips, Hager & North Investment Funds (the "Funds") and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial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

Although the Board of Directors of RBC GAM is solely responsible for approving the financial statements and overseeing management's financial reporting responsibilities, the Financial Advisory Committee of the Board of Governors provides advice to RBC GAM concerning financial reporting, the audit process and internal controls. Please see *The Role of the Board of Governors* at the end of this report.



John S. Montalbano, CFA
Chief Executive Officer
RBC Global Asset Management Inc.



Frank Lippa, CPA, CA
Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.

August 12, 2014

Unaudited Semi-Annual Financial Statements

The accompanying semi-annual 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, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
7 318 927	RBC Institutional Cash Fund*	\$ 73 189	\$ 73 189	
40 713 188	Phillips, Hager & North Bond Fund*	424 073	426 296	
38 384 702	Phillips, Hager & North Canadian Equity Underlying Fund*	387 576	481 997	
2 367 762	Phillips, Hager & North U.S. Equity Fund*	86 697	112 936	
13 208 509	RBC QUBE Global Equity Fund*	141 010	167 103	
5 753 286	Phillips, Hager & North Overseas Equity Pension Trust*	57 236	61 653	
TOTAL MUTUAL FUND UNITS		1 169 781	1 323 174	99.5
SHORT-TERM INVESTMENTS[†]		6 446	6 446	0.5
TOTAL INVESTMENTS		\$ 1 176 227	1 329 620	100.0
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(176)	–
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 1 329 444	100.0

* Investment in related party (see note 7 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 0.90% to 1.20% and mature between July 2, 2014 and July 25, 2014.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 1 329 620	\$ 1 284 794	\$ 1 225 050
Cash	3	3	4
Due from investment dealers	522	539	1 957
Subscriptions receivable	1 034	724	531
Dividends receivable, interest accrued and other assets	7	8	7
TOTAL ASSETS	1 331 186	1 286 068	1 227 549
LIABILITIES			
Due to investment dealers	766	460	280
Redemptions payable	781	807	2 294
Accounts payable and accrued expenses	195	190	161
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 742	1 457	2 735
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 329 444	\$ 1 284 611	\$ 1 224 814
Investments at cost	\$ 1 176 227	\$ 1 216 912	\$ 1 282 690
NAV, END OF PERIOD			
SERIES A	\$ 395 091	\$ 376 545	\$ 318 628
SERIES O	\$ 934 353	\$ 908 066	\$ 906 186
NAV PER UNIT, END OF PERIOD			
SERIES A	\$ 19.77	\$ 18.46	\$ 16.49
SERIES O	\$ 19.61	\$ 18.30	\$ 16.32

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

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 32	\$ 30
Other income received from underlying funds	8 571	7 932
Net realized gain (loss) on investments	10 702	(2 258)
Change in unrealized gain (loss) on investments	85 511	39 513
TOTAL INCOME (LOSS)	104 816	45 217
EXPENSES (see notes – Fund Specific Information)		
Management fees	959	839
Administration fees	64	59
Board of Governors costs	1	2
GST/HST	119	111
TOTAL EXPENSES	1 143	1 011
INCREASE (DECREASE) IN NAV	\$ 103 673	\$ 44 206
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 29 578	\$ 10 899
SERIES O	\$ 74 095	\$ 33 307
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES A	\$ 1.48	\$ 0.57
SERIES O	\$ 1.50	\$ 0.61

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 103 673	\$ 44 206
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(10 702)	2 261
Change in unrealized loss (gain) on investments	(85 511)	(39 513)
(Increase) decrease in accrued receivables	(292)	23
Increase (decrease) in accrued payables	285	(9)
Cost of investments purchased	(241 891)	(254 579)
Proceeds on sales of investments	293 278	303 066
NET CASH PROVIDED BY OPERATING ACTIVITIES	58 840	55 455
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	33 148	59 516
Cash paid on redemption of redeemable units	(91 981)	(114 969)
Distributions paid to holders of redeemable units	(7)	(4)
NET CASH USED IN FINANCING ACTIVITIES	\$ (58 840)	\$ (55 457)
Net increase (decrease) in cash for the year	–	(2)
Cash (bank overdraft), beginning of period	3	4
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 3	\$ 2
Interest received	\$ 33	\$ 30
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 A		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 376 545	\$ 318 628	\$ 908 066	\$ 906 186	\$ 1 284 611	\$ 1 224 814
INCREASE (DECREASE) IN NAV	29 578	10 899	74 095	33 307	103 673	44 206
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	7 154	29 435	25 994	30 081	33 148	59 516
Reinvestments of distributions to holders of redeemable units	3 203	3 982	9 623	12 763	12 826	16 745
Redemption of redeemable units	(18 181)	(11 914)	(73 800)	(103 055)	(91 981)	(114 969)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(7 824)	21 503	(38 183)	(60 211)	(46 007)	(38 708)
Distributions from net income	(3 208)	(3 986)	(9 625)	(12 763)	(12 833)	(16 749)
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3 208)	(3 986)	(9 625)	(12 763)	(12 833)	(16 749)
NET INCREASE (DECREASE) IN NAV	18 546	28 416	26 287	(39 667)	44 833	(11 251)
NAV AT END OF PERIOD	\$ 395 091	\$ 347 044	\$ 934 353	\$ 866 519	\$ 1 329 444	\$ 1 213 563

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

June 30, 2014

General information (see note 1 in the generic notes)

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

Financial instrument risk and capital management (see note 4 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.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.1% (December 31, 2013 – 2.1%, January 1, 2013 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, 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 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.5	+ or - 0.5
MSCI World ex Canada Total			
Return Net Index (CAD)	+ or - 0.6	+ or - 0.5	+ or - 0.6

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

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, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	1 323 174	–	–	1 323 174
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	6 446	–	6 446
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 323 174	6 446	–	1 329 620
% of total portfolio	99.5	0.5	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	1 279 755	–	–	1 279 755
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	5 039	–	5 039
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 279 755	5 039	–	1 284 794
% of total portfolio	99.6	0.4	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	1 220 291	–	–	1 220 291
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	4 759	–	4 759
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 220 291	4 759	–	1 225 050
% of total portfolio	99.6	0.4	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

PHILLIPS, HAGER & NORTH BALANCED PENSION TRUST

Investment Management®

June 30, 2014

Management fees (see note 7 in the generic notes)

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

The management fee paid by Series A of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series A of the Fund.

Series A	0.50%
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Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series A	0.01%
Series O	0.01%

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	10 858
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series A		
Opening units	20 400	19 324
Issued number of units	372	1 733
Reinvested number of units	165	236
Redeemed number of units	(949)	(701)
Ending number of units	19 988	20 592
Series O		
Opening units	49 611	55 526
Issued number of units	1 366	1 787
Reinvested number of units	498	764
Redeemed number of units	(3 837)	(6 142)
Ending number of units	47 638	51 935

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	1 213 550	1 224 814
Revaluation of investments at FVTPL	13	–
Net assets attributable to holders of redeemable units	1 213 563	1 224 814
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		44 193
Revaluation of investments at FVTPL (see note 3 in the generic notes)		13
Increase (decrease) in net assets attributable to holders of redeemable units		44 206

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PENSION TRUST

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
2 500	Dollarama Inc.	\$ 232	\$ 220	
6 050	Gildan Activewear Inc., Class A	235	380	
5 912	Magna International Inc., Class A	248	679	
9 850	Shaw Communications Inc., Class B	210	269	
13 450	Thomson Corp.	447	523	
4 100	Tim Hortons Inc.	207	239	
		1 579	2 310	4.5
Consumer Staples				
28 750	Alimentation Couche-Tard Inc.	483	840	
4 400	Empire Co. Ltd., Class A	312	319	
10 350	Loblaw Companies Ltd.	463	493	
4 000	Saputo Group Inc.	124	256	
		1 382	1 908	3.8
Energy				
30 850	ARC Resources Ltd.	719	1 003	
10 950	Cameco Corp.	318	229	
42 300	Canadian Natural Resources Ltd.	1 392	2 074	
34 616	Cenovus Energy Inc.	1 031	1 197	
14 100	Crescent Point Energy Corp.	586	667	
30 950	Enbridge Inc.	1 322	1 567	
20 816	Encana Corp.	431	526	
2 200	Keyera Corp.	162	173	
1 600	PrairieSky Royalty Ltd.	45	62	
48 246	Suncor Energy Inc.	1 559	2 195	
52 300	Talisman Energy Inc.	667	590	
5 850	Tourmaline Oil Corp.	193	329	
16 650	TransCanada Corp.	756	848	
		9 181	11 460	22.5
Financials				
10 950	Bank of Montreal	715	860	
43 658	Bank of Nova Scotia	2 342	3 106	
25 150	Brookfield Asset Management Inc., Class A	826	1 182	
3 650	Canadian Imperial Bank of Commerce	292	354	
6 500	CI Financial Corp.	208	228	
9 100	Industrial Alliance Insurance & Financial Services Inc.	405	426	
3 600	Intact Financial Corp.	232	265	
72 856	Manulife Financial Corporation	1 292	1 545	
8 700	National Bank of Canada	383	394	
26 400	Power Corporation of Canada	685	783	
44 868	Royal Bank of Canada*	2 296	3 423	
4 000	Sun Life Financial Inc.	148	157	
68 908	Toronto-Dominion Bank	2 100	3 785	
		11 924	16 508	32.4
Health Care				
7 150	Catamaran Corp.	323	337	
9 750	Valeant Pharmaceuticals International Inc.	649	1 316	
		972	1 653	3.2

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
23 750	Canadian National Railway Co.	\$ 679	\$ 1 648	
10 600	Finning International Inc.	237	316	
9 400	SNC-Lavalin Group Inc.	471	528	
		1 387	2 492	4.9
Information Technology				
20 650	CGI Group Inc., Class A	555	781	
8 300	Open Text Corp.	436	425	
		991	1 206	2.4
Materials				
5 524	Agnico Eagle Mines Ltd.	199	226	
4 200	Agrium Inc.	274	411	
46 036	B2Gold Corp.	150	143	
17 600	Barrick Gold Corp.	540	344	
8 700	Continental Gold Ltd.	68	30	
4 950	Detour Gold Corp.	90	72	
3 800	Dundee Precious Metals Inc.	33	19	
24 700	Eldorado Gold Corp.	306	202	
4 000	First Majestic Silver Corp.	89	46	
16 100	First Quantum Minerals Ltd.	316	367	
3 600	Franco-Nevada Corp.	161	221	
15 900	Goldcorp Inc.	661	474	
4 700	Mountain Province Diamonds Inc.	24	24	
11 600	New Gold Inc.	115	79	
2 499	Osisko Gold Royalties Ltd.	40	40	
23 688	Potash Corporation of Saskatchewan Inc.	758	961	
14 200	Primero Mining Corp.	93	121	
14 800	Semafo Inc.	49	74	
10 100	Silver Wheaton Corp.	334	284	
2 060	Tahoe Resources Inc.	35	58	
12 950	Teck Resources Ltd., Class B	548	315	
45 500	Torex Gold Resources Inc.	91	74	
34 030	Turquoise Hill Resources Ltd.	216	121	
11 655	Yamana Gold Inc.	135	102	
		5 325	4 808	9.4
Telecommunication Services				
15 650	Rogers Communications Inc., Class B	535	672	
24 750	TELUS Corp.	681	984	
		1 216	1 656	3.3
Utilities				
10 000	Fortis Inc.	303	325	
		303	325	0.6
Other				
5 700	iShares S&P/TSX 60 Index Fund	119	124	
		119	124	0.2
TOTAL CANADIAN EQUITIES		34 379	44 450	87.2

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
238 630	Phillips, Hager & North Small Float Fund*	\$ 3 658	\$ 6 369	
TOTAL MUTUAL FUND UNITS		<u>3 658</u>	<u>6 369</u>	12.5
TOTAL INVESTMENTS		<u>\$ 38 037</u>	<u>50 819</u>	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>160</u>	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$ 50 979</u>		100.0

* Investment in related party (see note 7 in the generic notes).

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 50 819	\$ 48 553	\$ 43 598
Cash	126	228	340
Due from investment dealers	1	13	–
Dividends receivable, interest accrued and other assets	91	69	89
TOTAL ASSETS	51 037	48 863	44 027
LIABILITIES			
Due to investment dealers	2	–	–
Redemptions payable	55	78	297
Distributions payable	–	36	33
Accounts payable and accrued expenses	1	3	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	58	117	331
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 50 979	\$ 48 746	\$ 43 696
Investments at cost	\$ 38 037	\$ 38 886	\$ 40 035
NAV, END OF PERIOD			
SERIES 0	\$ 50 979	\$ 48 746	\$ 43 696
NAV PER UNIT, END OF PERIOD			
SERIES 0	\$ 7.93	\$ 7.01	\$ 6.01

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

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 591	\$ 598
Interest for distribution purposes	1	1
Net realized gain (loss) on investments	2 433	848
Net gain (loss) on foreign currencies and other net assets	–	1
Change in unrealized gain (loss) on investments	3 115	69
TOTAL INCOME (LOSS)	6 140	1 517
EXPENSES (see notes – Fund Specific Information)		
Administration fees	8	7
Board of Governors costs	1	2
GST/HST	1	1
Transaction costs	18	18
TOTAL EXPENSES	28	28
INCREASE (DECREASE) IN NAV	\$ 6 112	\$ 1 489
INCREASE (DECREASE) IN NAV SERIES 0	\$ 6 112	\$ 1 489
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT SERIES 0	\$ 0.91	\$ 0.20

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 6 112	\$ 1 489
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(2 433)	(831)
Change in unrealized loss (gain) on investments	(3 115)	(69)
(Increase) decrease in accrued receivables	(10)	(620)
Increase (decrease) in accrued payables	(59)	70
Cost of investments purchased	(22 505)	(27 558)
Proceeds on sales of investments	25 787	26 668
NET CASH PROVIDED BY OPERATING ACTIVITIES	3 777	(851)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 983	7 162
Cash paid on redemption of redeemable units	(5 862)	(6 474)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (3 879)	\$ 688
Net increase (decrease) in cash for the year	(102)	(163)
Cash (bank overdraft), beginning of period	228	340
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 126	\$ 177
Interest received	\$ 1	\$ 1
Dividends received, net of withholding taxes	\$ 569	\$ 598

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 0	
	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 48 746	\$ 43 696
INCREASE (DECREASE) IN NAV	6 112	1 489
Early redemption fees	–	–
Proceeds from redeemable units issued	1 983	7 162
Reinvestments of distributions to holders of redeemable units	–	–
Redemption of redeemable units	(5 862)	(6 474)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(3 879)	688
Distributions from net income	–	–
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–
NET INCREASE (DECREASE) IN NAV	2 233	2 177
NAV AT END OF PERIOD	\$ 50 979	\$ 45 873

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

June 30, 2014

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 4 in the generic notes)

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, 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 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.1	+ 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, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	44 450	–	–	44 450
Mutual fund units	6 369	–	–	6 369
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	50 819	–	–	50 819
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	40 823	–	–	40 823
Mutual fund units	7 730	–	–	7 730
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	48 553	–	–	48 553
% of total portfolio	100.0	–	–	100.0

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

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	36 521	–	–	36 521
Mutual fund units	6 340	–	–	6 340
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	737	–	737
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	42 861	737	–	43 598
% of total portfolio	98.3	1.7	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

Operating expenses (see note 7 in the generic notes)

The administration fee of Series O of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.03%
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Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	855
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series O		
Opening units	6 951	7 274
Issued number of units	268	1 171
Reinvested number of units	–	–
Redeemed number of units	(788)	(1 039)
Ending number of units	6 431	7 406

June 30, 2014

Transaction costs (\$000s except %)

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

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	18	100	18	100
Related-party brokerage commissions*	2	11	2	11
Commission arrangements†	–	–	1	6

* See note 7 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.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	45 846	43 630
Revaluation of investments at FVTPL	27	66
Net assets attributable to holders of redeemable units	45 873	43 696

June 30
2013

Comprehensive income

Comprehensive income as reported under Canadian GAAP	1 528
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(39)
Increase (decrease) in net assets attributable to holders of redeemable units	1 489

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

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

PHILLIPS, HAGER & NORTH SMALL FLOAT FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
182 550	BRP Inc.	\$ 3 951	\$ 4 801	
215 296	Cineplex Inc.	5 517	8 924	
243 900	Great Canadian Gaming Corp.	2 403	4 163	
310 100	Leon's Furniture Ltd.	3 955	4 496	
132 629	Linamar Corp.	2 747	8 349	
393 100	Quebecor Inc., Class B	8 465	10 150	
1 509 400	RONA Inc.	18 680	17 328	
		45 718	58 211	20.6
Consumer Staples				
381 600	Maple Leaf Foods Inc.	4 637	7 579	
		4 637	7 579	2.7
Energy				
587 314	Calfrac Well Services Ltd.	8 698	11 717	
292 700	PrairieSky Royalty Ltd.	9 249	11 357	
246 500	Secure Energy Services Inc.	3 750	5 780	
273 300	Trilogy Energy Corp.	7 873	7 980	
798 400	Trinidad Drilling Ltd.	6 445	9 669	
		36 015	46 503	16.5
Financials				
149 600	Callidus Capital Corp.	2 105	2 678	
370 500	Canaccord Genuity Group Inc.	2 711	4 553	
1 240 800	Element Financial Corp.	8 944	16 726	
432 600	Element Financial Corp., Subscription Receipts	5 516	5 801	
117 729	First Service Corp.	3 677	6 367	
270 696	Home Capital Group Inc.	5 447	12 947	
1 143 800	The Westaim Corporation*, Subscription Receipts August 24, 2014	3 031	3 031	
		31 431	52 103	18.4
Industrials				
565 400	Badger Daylighting Ltd.	8 554	19 874	
242 700	Boyd Group Income Fund	7 835	10 611	
66 000	MacDonald Dettwiler & Associates Ltd.	4 369	5 751	
201 592	Richelieu Hardware Ltd.	3 645	9 777	
77 716	Stantec Inc.	2 354	5 135	
279 931	Toromont Industries Ltd.	3 867	7 365	
		30 624	58 513	20.7
Information Technology				
30 100	Constellation Software Inc.	3 710	8 127	
215 600	Descartes Systems Group Inc.	3 111	3 297	
155 200	DH Corp.	4 009	4 819	
259 600	Kinaxis Inc.	3 375	3 466	
		14 205	19 709	7.0

Holdings	Security	Cost	Fair Value	% of Net Assets	
Materials					
128 935	CCL Industries, Class B	\$ 4 392	\$ 13 248		
2 257 000	Polaris Minerals Corp.	3 342	6 094		
966 300	Sherritt International Corp.	4 566	4 174		
188 800	Stella-Jones Inc.	3 254	5 532		
		15 554	29 048	10.3	
TOTAL CANADIAN EQUITIES			178 184	271 666	96.2
SHORT-TERM INVESTMENTS†			2 549	2 549	0.9
TOTAL INVESTMENTS			\$ 180 733	274 215	97.1
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				8 270	2.9
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				\$ 282 485	100.0

* Illiquid security.

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.10% and mature between July 2, 2014 and July 16, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 274 215	\$ 322 600	\$ 285 721
Cash	157	107	135
Due from investment dealers	12 516	318	–
Subscriptions receivable	358	69	51
Dividends receivable, interest accrued and other assets	388	462	408
TOTAL ASSETS	287 634	323 556	286 315
LIABILITIES			
Due to investment dealers	3 111	–	–
Redemptions payable	2 037	–	–
Accounts payable and accrued expenses	1	1	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	5 149	1	1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 282 485	\$ 323 555	\$ 286 314
Investments at cost	\$ 180 733	\$ 205 611	\$ 231 685
NAV, END OF PERIOD			
SERIES A	\$ 961	\$ 848	\$ 1 102
SERIES O	\$ 281 524	\$ 322 707	\$ 285 212
NAV PER UNIT, END OF PERIOD			
SERIES A	\$ 27.50	\$ 24.26	\$ 16.53
SERIES O	\$ 26.69	\$ 23.42	\$ 15.96

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

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 877	\$ 2 424
Interest for distribution purposes	54	55
Other income (loss)	75	–
Net realized gain (loss) on investments	62 541	10 978
Net gain (loss) on foreign currencies and other net assets	–	5
Change in unrealized gain (loss) on investments	(23 507)	39 300
TOTAL INCOME (LOSS)	41 040	52 762
EXPENSES (see notes – Fund Specific Information)		
Management fees	5	5
GST/HST	–	1
Transaction costs	208	231
TOTAL EXPENSES	213	237
INCREASE (DECREASE) IN NAV	\$ 40 827	\$ 52 525
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 113	\$ 151
SERIES O	\$ 40 714	\$ 52 374
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES A	\$ 3.22	\$ 3.06
SERIES O	\$ 3.24	\$ 3.07

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

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 40 827	\$ 52 525
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(62 541)	(10 903)
Change in unrealized loss (gain) on investments	23 507	(39 300)
(Increase) decrease in accrued receivables	(12 413)	(2 596)
Increase (decrease) in accrued payables	5 148	5 320
Cost of investments purchased	(528 996)	(453 038)
Proceeds on sales of investments	616 415	483 061
NET CASH PROVIDED BY OPERATING ACTIVITIES	81 947	35 069
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	9 005	5 461
Cash paid on redemption of redeemable units	(90 902)	(40 436)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (81 897)	\$ (34 975)
Net increase (decrease) in cash for the year	50	94
Cash (bank overdraft), beginning of period	107	135
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 157	\$ 229
Interest received	\$ 54	\$ 55
Dividends received, net of withholding taxes	\$ 2 027	\$ 2 424

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 A		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 848	\$ 1 102	\$ 322 707	\$ 285 212	\$ 323 555	\$ 286 314
INCREASE (DECREASE) IN NAV	113	151	40 714	52 374	40 827	52 525
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	–	29	9 005	5 432	9 005	5 461
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–
Redemption of redeemable units	–	(593)	(90 902)	(39 843)	(90 902)	(40 436)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	–	(564)	(81 897)	(34 411)	(81 897)	(34 975)
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	–	–
NET INCREASE (DECREASE) IN NAV	113	(413)	(41 183)	17 963	(41 070)	17 550
NAV AT END OF PERIOD	\$ 961	\$ 689	\$ 281 524	\$ 303 175	\$ 282 485	\$ 303 864

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

PHILLIPS, HAGER & NORTH SMALL FLOAT FUND

June 30, 2014

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.

Financial instrument risk and capital management (see note 4 in the generic notes)
Liquidity risk

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 1.1% (December 31, 2013 – 0.0%, January 1, 2013 – 3.2%) of the net assets of the Fund.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, 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 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.0	+ or - 1.1	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	268 635	3 031	–	271 666
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 549	–	2 549
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	268 635	5 580	–	274 215
% of total portfolio	98.0	2.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	317 651	–	–	317 651
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	4 949	–	4 949
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	317 651	4 949	–	322 600
% of total portfolio	98.5	1.5	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	273 062	8 760	–	281 822
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 899	–	3 899
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	273 062	12 659	–	285 721
% of total portfolio	95.6	4.4	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

Management fees for Series A of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series A of the Fund.

Series A	1.00%
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Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series A	0.0%
Series O	0.0%

PHILLIPS, HAGER & NORTH SMALL FLOAT FUND

Investment Management®

June 30, 2014

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 2014	December 31 2013
Units held		
Series A	38	38
Series O	41	41
Value of all units	2	2

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	100 010
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

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

	2014	2013
Series A		
Opening units	35	67
Issued number of units	–	1
Reinvested number of units	–	–
Redeemed number of units	–	(33)
Ending number of units	35	35
Series O		
Opening units	13 780	17 866
Issued number of units	348	312
Reinvested number of units	–	–
Redeemed number of units	(3 579)	(2 270)
Ending number of units	10 549	15 908

Transaction costs (\$000s except %)

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

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	208	100	231	100
Related-party brokerage commissions*	22	11	33	14
Commission arrangements†	8	4	21	9

* See note 7 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 (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Canadian Equity Fund	6 186	8 414
Phillips, Hager & North Canadian Equity Plus Pension Trust	640	863
Phillips, Hager & North Canadian Equity Pension Trust	239	330
Total	7 065	9 607

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	303 301	284 865
Revaluation of investments at FVTPL	563	1 449
Net assets attributable to holders of redeemable units	303 864	286 314
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		53 411
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(886)
Increase (decrease) in net assets attributable to holders of redeemable units		52 525

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, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
6 700	Dollarama Inc.	\$ 621	\$ 589	
16 700	Gildan Activewear Inc., Class A	640	1 050	
16 800	Magna International Inc., Class A	538	1 930	
24 700	Shaw Communications Inc., Class B	514	676	
34 800	Thomson Corp.	1 189	1 352	
10 300	Tim Hortons Inc.	519	601	
		4 021	6 198	3.8
Consumer Staples				
79 300	Alimentation Couche-Tard Inc.	1 312	2 318	
12 500	Empire Co. Ltd., Class A	889	907	
27 400	Loblaw Companies Ltd.	1 205	1 305	
9 600	Saputo Group Inc.	252	614	
		3 658	5 144	3.2
Energy				
84 400	ARC Resources Ltd.	1 937	2 742	
27 600	Cameco Corp.	990	578	
113 900	Canadian Natural Resources Ltd.	3 871	5 585	
97 054	Cenovus Energy Inc.	2 531	3 356	
37 300	Crescent Point Energy Corp.	1 548	1 763	
85 000	Enbridge Inc.	3 555	4 303	
56 254	Encana Corp.	1 126	1 421	
5 900	Keyera Corp.	435	464	
4 100	PrairieSky Royalty Ltd.	115	159	
131 312	Suncor Energy Inc.	4 147	5 975	
142 400	Talisman Energy Inc.	1 897	1 606	
18 200	Tourmaline Oil Corp.	566	1 024	
45 400	TransCanada Corp.	2 030	2 312	
		24 748	31 288	19.3
Financials				
29 800	Bank of Montreal	1 933	2 342	
118 100	Bank of Nova Scotia	6 008	8 402	
67 600	Brookfield Asset Management Inc., Class A	2 098	3 178	
10 200	Canadian Imperial Bank of Commerce	814	990	
17 800	CI Financial Corp.	571	624	
24 300	Industrial Alliance Insurance & Financial Services Inc.	1 083	1 136	
8 900	Intact Financial Corp.	574	655	
200 300	Manulife Financial Corporation	3 477	4 248	
23 300	National Bank of Canada	1 024	1 055	
71 100	Power Corporation of Canada	1 812	2 108	
118 900	Royal Bank of Canada*	4 917	9 070	
10 700	Sun Life Financial Inc.	395	420	
183 500	Toronto-Dominion Bank	3 599	10 080	
		28 305	44 308	27.3

Holdings	Security	Cost	Fair Value	% of Net Assets
Health Care				
18 100	Catamaran Corp.	\$ 801	\$ 853	
26 100	Valeant Pharmaceuticals International Inc.	1 659	3 522	
		2 460	4 375	2.7
Industrials				
62 600	Canadian National Railway Co.	1 670	4 344	
28 100	Finning International Inc.	624	839	
22 400	SNC-Lavalin Group Inc.	1 148	1 257	
		3 442	6 440	4.0
Information Technology				
55 500	CGI Group Inc., Class A	1 510	2 099	
22 300	Open Text Corp.	1 171	1 142	
		2 681	3 241	2.0
Materials				
14 333	Agnico Eagle Mines Ltd.	511	586	
10 300	Agrium Inc.	502	1 007	
120 374	B2Gold Corp.	388	374	
46 500	Barrick Gold Corp.	1 411	909	
23 500	Continental Gold Ltd.	184	82	
13 000	Detour Gold Corp.	246	190	
9 800	Dundee Precious Metals Inc.	99	50	
66 500	Eldorado Gold Corp.	819	543	
11 600	First Majestic Silver Corp.	258	134	
43 200	First Quantum Minerals Ltd.	858	986	
9 400	Franco-Nevada Corp.	409	576	
41 950	Goldcorp Inc.	1 791	1 249	
12 100	Mountain Province Diamonds Inc.	63	61	
31 700	New Gold Inc.	316	215	
6 552	Osisko Gold Royalties Ltd.	104	105	
65 100	Potash Corporation of Saskatchewan Inc.	1 777	2 642	
37 400	Primero Mining Corp.	244	320	
39 600	Semafo Inc.	131	198	
26 600	Silver Wheaton Corp.	889	747	
5 480	Tahoe Resources Inc.	94	153	
35 700	Teck Resources Ltd., Class B	1 642	870	
124 600	Torex Gold Resources Inc.	250	203	
88 860	Turquoise Hill Resources Ltd.	598	317	
30 796	Yamana Gold Inc.	355	270	
		13 939	12 787	7.9
Telecommunication Services				
37 900	Rogers Communications Inc., Class B	1 039	1 627	
64 500	TELUS Corp.	1 469	2 565	
		2 508	4 192	2.6
Utilities				
26 900	Fortis Inc.	813	873	
		813	873	0.5

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PLUS PENSION TRUST

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Other				
31 100	iShares S&P/TSX 60 Index Fund	\$ 651	\$ 677	
		651	677	0.4
TOTAL CANADIAN EQUITIES		87 226	119 523	73.7
UNITED STATES EQUITIES				
Consumer Staples				
39 600	PepsiCo Inc.	2 625	3 773	
		2 625	3 773	2.3
Financials				
50 100	Wells Fargo & Company	1 217	2 808	
		1 217	2 808	1.7
Health Care				
20 100	Johnson & Johnson	1 313	2 242	
19 100	Varian Medical Systems Inc.	1 309	1 694	
		2 622	3 936	2.4
Industrials				
35 400	Emerson Electric Co.	1 548	2 505	
20 800	Illinois Tool Works Inc.	957	1 943	
26 400	United Technologies Corp.	2 002	3 251	
		4 507	7 699	4.7
Information Technology				
79 600	Cisco Systems Inc.	2 113	2 110	
53 800	Microsoft Corp.	1 682	2 393	
44 800	Oracle Corporation	1 309	1 937	
		5 104	6 440	4.0
TOTAL UNITED STATES EQUITIES		16 075	24 656	15.1
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
640 068	Phillips, Hager & North Small Float Fund*	\$ 6 814	\$ 17 082	
TOTAL MUTUAL FUND UNITS		6 814	17 082	10.5
SHORT-TERM INVESTMENTS†		162	162	0.1
TOTAL INVESTMENTS		110 277	161 423	99.4
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
			483	0.3
TOTAL PORTFOLIO		\$ 110 277	161 906	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			523	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 162 429		100.0

* Investment in related party (see note 7 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 0.95% and mature on July 2, 2014.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 16 146 Sold USD 14 766 @ 1.0934	14-Jul-14	\$ 390
Bought CAD 269 Sold USD 250 @ 1.0763	14-Jul-14	2
Bought CAD 327 Sold USD 300 @ 1.0914	14-Jul-14	8
Bought CAD 3 022 Sold USD 2 806 @ 1.0771	18-Aug-14	25
Bought CAD 4 785 Sold USD 4 441 @ 1.0774	18-Aug-14	42
Bought CAD 680 Sold USD 622 @ 1.0941	18-Aug-14	16
TOTAL FOREIGN EXCHANGE		\$ 483

All counterparties have a credit rating of at least A.

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH CANADIAN EQUITY PLUS PENSION TRUST**Statements of Financial Position** (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 161 423	\$ 150 173	\$ 138 114
Cash	166	333	221
Due from investment dealers	3	35	–
Subscriptions receivable	120	129	10
Unrealized gain on foreign exchange contracts	483	1	23
Dividends receivable, interest accrued and other assets	252	206	273
TOTAL ASSETS	162 447	150 877	138 641
LIABILITIES			
Due to investment dealers	5	–	–
Redemptions payable	4	107	483
Unrealized loss on foreign exchange contracts	–	517	37
Accounts payable and accrued expenses	9	7	6
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	18	631	526
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 162 429	\$ 150 246	\$ 138 115
Investments at cost	\$ 110 277	\$ 108 796	\$ 118 340
NAV, END OF PERIOD			
SERIES A	\$ 5 982	\$ 5 288	\$ 4 357
SERIES O	\$ 156 447	\$ 144 958	\$ 133 758
NAV PER UNIT, END OF PERIOD			
SERIES A	\$ 78.39	\$ 70.00	\$ 59.02
SERIES O	\$ 96.64	\$ 86.05	\$ 72.58

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

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

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 838	\$ 1 702
Interest for distribution purposes	5	3
Net realized gain (loss) on investments	6 605	2 795
Net gain (loss) on foreign currencies and other net assets	(970)	(854)
Change in unrealized gain (loss) on investments	10 768	3 138
TOTAL INCOME (LOSS)	18 246	6 784
EXPENSES (see notes – Fund Specific Information)		
Management fees	14	11
Administration fees	26	19
Board of Governors costs	1	2
GST/HST	4	3
Transaction costs	39	40
Withholding tax	47	37
TOTAL EXPENSES	131	112
INCREASE (DECREASE) IN NAV	\$ 18 115	\$ 6 672
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 637	\$ 202
SERIES O	\$ 17 478	\$ 6 470
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES A	\$ 8.37	\$ 2.78
SERIES O	\$ 10.57	\$ 3.65

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

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 18 115	\$ 6 672
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(6 605)	(2 778)
Change in unrealized loss (gain) on investments	(10 768)	(3 138)
(Increase) decrease in accrued receivables	(5)	(951)
Increase (decrease) in accrued payables	(96)	113
Cost of investments purchased	(94 126)	(72 143)
Proceeds on sales of investments	99 250	81 400
NET CASH PROVIDED BY OPERATING ACTIVITIES	5 765	9 175
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 209	3 089
Cash paid on redemption of redeemable units	(9 141)	(12 074)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (5 932)	\$ (8 985)
Net increase (decrease) in cash for the year	(167)	190
Cash (bank overdraft), beginning of period	333	221
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 166	\$ 411
Interest received	\$ 5	\$ 3
Dividends received, net of withholding taxes	\$ 1 746	\$ 1 665

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 A		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 5 288	\$ 4 357	\$ 144 958	\$ 133 758	\$ 150 246	\$ 138 115
INCREASE (DECREASE) IN NAV	637	202	17 478	6 470	18 115	6 672
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	108	106	3 101	2 983	3 209	3 089
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–
Redemption of redeemable units	(51)	(111)	(9 090)	(11 963)	(9 141)	(12 074)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	57	(5)	(5 989)	(8 980)	(5 932)	(8 985)
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	–	–
NET INCREASE (DECREASE) IN NAV	694	197	11 489	(2 510)	12 183	(2 313)
NAV AT END OF PERIOD	\$ 5 982	\$ 4 554	\$ 156 447	\$ 131 248	\$ 162 429	\$ 135 802

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

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

June 30, 2014

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.

**Financial instrument risk and capital management
 (see note 4 in the generic notes)**
Currency risk

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 net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, 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 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.1	+ 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, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	144 179	–	–	144 179
Mutual fund units	17 082	–	–	17 082
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	162	–	162
Derivatives – assets	–	483	–	483
Derivatives – liabilities	–	–	–	–
Total financial instruments	161 261	645	–	161 906
% of total portfolio	99.6	0.4	–	100.0

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

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	129 171	–	–	129 171
Mutual fund units	20 202	–	–	20 202
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	800	–	800
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(517)	–	(517)
Total financial instruments	149 373	284	–	149 657
% of total portfolio	99.8	0.2	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	118 248	–	–	118 248
Mutual fund units	17 512	–	–	17 512
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 354	–	2 354
Derivatives – assets	–	23	–	23
Derivatives – liabilities	–	(37)	–	(37)
Total financial instruments	135 760	2 340	–	138 100
% of total portfolio	98.3	1.7	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

Management fees for Series A of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series A of the Fund.

Series A	0.50%
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Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series A	0.06%
Series O	0.03%

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	48 988
Non-capital losses	–

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

June 30, 2014

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

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

	2014	2013
Series A		
Opening units	76	74
Issued number of units	1	2
Reinvested number of units	–	–
Redeemed number of units	(1)	(2)
Ending number of units	76	74
Series O		
Opening units	1 685	1 843
Issued number of units	34	39
Reinvested number of units	–	–
Redeemed number of units	(100)	(158)
Ending number of units	1 619	1 724

Transaction costs (\$000s except %)

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

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	39	100	40	100
Related-party brokerage commissions*	5	13	3	8
Commission arrangements†	1	3	2	5

* See note 7 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.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	135 735	137 935
Revaluation of investments at FVTPL	67	180
Net assets attributable to holders of redeemable units	135 802	138 115
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		June 30 2013
Revaluation of investments at FVTPL (see note 3 in the generic notes)		6 785
Increase (decrease) in net assets attributable to holders of redeemable units		(113)
		6 672

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

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

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY PENSION TRUST

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
INTERNATIONAL EQUITIES				
Australia				
104 700	Ansell Ltd.	\$ 2 039	\$ 2 089	
104 345	News Corp., Subscription Receipts	1 712	1 943	
		3 751	4 032	1.0
Brazil				
597 830	Cia de Saneamento Basico do Estado de Sao Paulo ADR	6 229	6 836	
135 070	Petroleo Brasileiro S.A. ADR	2 056	2 254	
		8 285	9 090	2.3
China				
11 235	Baidu.com Inc. ADR	1 140	2 239	
1 936 500	Beijing Capital International Airport Co. Ltd.	1 586	1 420	
163 093	China Mobile (Hong Kong) Ltd.	1 695	1 690	
3 855 500	China Petroleum & Chemical Corp.	3 466	3 919	
1 685 700	CNOOC Ltd.	3 335	3 232	
1 801 800	Travelsky Technology Ltd.	1 101	1 768	
		12 323	14 268	3.6
Denmark				
189 470	TDC A/S	1 982	2 091	
		1 982	2 091	0.5
France				
35 450	Arkema	3 573	3 674	
133 319	AXA S.A.	2 282	3 398	
56 455	BNP Paribas S.A.	3 468	4 092	
200 010	GDF Suez	5 813	5 878	
47 316	Groupe Danone	3 103	3 753	
159 862	Sanofi	13 384	18 125	
157 299	Total S.A.	7 984	12 139	
80 400	Vallourec S.A.	3 898	3 844	
		43 505	54 903	13.9
Germany				
21 116	Daimler AG	1 129	2 106	
38 400	Hannover Rueckversicherung SE	3 550	3 685	
17 117	Muenchener Rueckversicherungs-Gesellschaft AG	2 577	4 050	
15 560	Siemens AG	1 651	2 199	
95 415	Talanx AG	3 549	3 570	
6 335	Volkswagen AG	1 451	1 747	
15 622	Volkswagen AG Preference	4 027	4 364	
		17 934	21 721	5.5
Hong Kong				
1 278 368	First Pacific Co.	793	1 522	
		793	1 522	0.4
India				
1 283 527	NIIT Ltd.	2 054	1 270	
		2 054	1 270	0.3

Holdings	Security	Cost	Fair Value	% of Net Assets
Israel				
45 825	NICE Systems Ltd. ADR	\$ 1 955	\$ 1 995	
		1 955	1 995	0.5
Italy				
1 820 262	Intesa Sanpaolo S.p.A.	3 985	5 647	
1 541 862	Telecom Italia S.p.A.	1 309	2 082	
		5 294	7 729	1.9
Japan				
97 000	Bridgestone Corp.	3 946	3 623	
49 800	Honda Motor Co. Ltd.	2 002	1 853	
374 100	Inpex Corp.	4 975	6 070	
670 200	Itochu Corp.	8 596	9 176	
118 600	Japan Tobacco Inc.	4 045	4 612	
27 740	KDDI Corporation	1 022	1 805	
171 500	NHK SPRING CO., LTD.	1 688	1 717	
191 900	Nippon Telegraph & Telephone Corp.	9 459	12 757	
142 500	Sumitomo Corp.	1 800	2 051	
165 600	Sumitomo Dainippon Pharma Co. Ltd.	2 045	2 033	
62 600	Takata Corp.	1 157	1 436	
28 700	Tsumura & Co.	777	722	
		41 512	47 855	12.1
Luxembourg				
238 735	ArcelorMittal	3 915	3 796	
		3 915	3 796	1.0
Netherlands				
54 685	Heineken N.V.	3 808	4 187	
267 800	ING Groep N.V.	4 107	4 008	
165 815	Koninklijke Philips N.V.	6 330	5 614	
845 300	TNT Express N.V.	8 332	8 158	
		22 577	21 967	5.5
Norway				
110 875	Yara International ASA	4 904	5 925	
		4 904	5 925	1.5
Singapore				
4 786 100	Golden Agri-Resources Ltd.	2 499	2 277	
		2 499	2 277	0.6
South Korea				
52 650	KB Financial Group Inc.	1 837	1 951	
90 762	KT Corp. ADR	1 929	1 466	
		3 766	3 417	0.9

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Spain				
146 383	BBVA S.A.	\$ 1 479	\$ 1 990	
59 170	Enagas	1 998	2 032	
		<u>3 477</u>	<u>4 022</u>	1.0
Switzerland				
152 335	ABB Ltd.	2 840	3 739	
185 520	Credit Suisse Group	5 861	5 628	
70 245	Nestlé S.A.	5 698	5 806	
168 403	Novartis AG	9 949	16 268	
49 360	Roche Holdings AG Genussscheine	11 601	15 688	
21 485	Swiss Re AG	1 509	2 038	
19 518	Syngenta AG	7 694	7 692	
6 733	Zurich Insurance Group AG	1 800	2 163	
		<u>46 952</u>	<u>59 022</u>	14.9
Thailand				
562 800	Thai Union Frozen Products PCL	1 196	1 203	
		<u>1 196</u>	<u>1 203</u>	0.3
United Kingdom				
1 917 680	Balfour Beatty Plc.	7 192	8 206	
3 570 826	Barclays Plc.	15 396	13 875	
33 785	British American Tobacco Plc.	1 987	2 144	
829 261	Carillion Plc.	4 318	5 013	
425 458	Catlin Group Ltd.	2 472	4 153	
2 129 515	Direct Line Insurance Group Plc.	7 797	10 483	
657 570	GlaxoSmithKline Plc.	20 020	18 676	
400 417	HSBC Holdings Plc. (U.K. Reg.)	4 422	4 333	
170 445	Lancashire Holdings Ltd.	2 205	2 034	
46 401	Reckitt Benckiser Plc.	2 643	4 316	
44 438	Royal Dutch Shell Plc.	1 521	1 959	
188 707	Royal Dutch Shell Plc., A Shares	6 381	8 311	
276 175	Serco Group Plc.	2 565	1 840	
1 033 375	The Royal Bank of Scotland Group Plc.	5 325	6 195	
129 555	Unilever Plc.	5 840	6 264	
406 975	Vodafone Group Plc.	2 076	1 451	
		<u>92 160</u>	<u>99 253</u>	25.1
United States				
140 670	Market Vectors - Gold Miners Fund	4 116	3 967	
27 980	SPDR Gold Trust	3 744	3 814	
89 487	Transocean Ltd.	4 882	4 297	
		<u>12 742</u>	<u>12 078</u>	3.0
TOTAL INTERNATIONAL EQUITIES		<u>333 576</u>	<u>379 436</u>	95.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	4	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(57)	–
TOTAL PORTFOLIO		<u>\$ 333 576</u>	<u>379 383</u>	95.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>16 559</u>	4.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 395 942</u>	100.0

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 212 Sold NOK 1 303 @ 6.1372	01-Jul-14	\$ –
Bought USD 85 Sold SGD 106 @ 1.2506	01-Jul-14	–
Bought CAD 7 100 Sold USD 6 652 @ 1.0673	02-Jul-14	4
Bought JPY 21 515 Sold USD 212 @ 0.0099	02-Jul-14	–
		<u>\$ 4</u>

Contracts	Maturity Date	Unrealized Loss
Bought USD 1 377 Sold GBP 809 @ 1.7025	01-Jul-14	\$ (8)
Bought USD 1 550 Sold JPY 157 449 @ 0.0098	01-Jul-14	(4)
Bought USD 1 660 Sold AUD 1 767 @ 0.9398	01-Jul-14	(6)
Bought USD 2 117 Sold CHF 1 892 @ 0.8940	01-Jul-14	(18)
Bought USD 3 072 Sold EUR 2 257 @ 1.3609	01-Jul-14	(20)
Bought USD 75 Sold DKK 413 @ 5.4810	01-Jul-14	(1)
		<u>\$ (57)</u>

TOTAL FOREIGN EXCHANGE\$ (53)

All counterparties have a credit rating of at least A.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 379 436	\$ 463 037	\$ 535 253
Cash	11 077	23 310	7 774
Due from investment dealers	12 437	–	2 626
Subscriptions receivable	1 143	73	85
Unrealized gain on foreign exchange contracts	4	–	11
Dividends receivable, interest accrued and other assets	1 126	185	419
TOTAL ASSETS	405 223	486 605	546 168
LIABILITIES			
Due to investment dealers	1 055	–	–
Redemptions payable	8 137	296	1 059
Unrealized loss on foreign exchange contracts	57	–	–
Distributions payable	–	132	115
Accounts payable and accrued expenses	32	35	41
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	9 281	463	1 215
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 395 942	\$ 486 142	\$ 544 953
Investments at cost	\$ 333 576	\$ 376 486	\$ 518 814
NAV, END OF PERIOD			
SERIES 0	\$ 395 942	\$ 486 142	\$ 544 953
NAV PER UNIT, END OF PERIOD			
SERIES 0	\$ 10.72	\$ 10.26	\$ 8.40

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

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 11 210	\$ 13 354
Interest for distribution purposes	–	(8)
Securities lending revenue (see note 6 in the generic notes)	187	293
Net realized gain (loss) on investments	51 812	1 920
Net gain (loss) on foreign currencies and other net assets	(704)	(464)
Change in unrealized gain (loss) on investments	(40 744)	7 738
TOTAL INCOME (LOSS)	21 761	22 833
EXPENSES (see notes – Fund Specific Information)		
Administration fees	166	208
Board of Governors costs	1	2
GST/HST	20	24
Transaction costs	943	1 104
Withholding tax	1 393	1 550
TOTAL EXPENSES	2 523	2 888
INCREASE (DECREASE) IN NAV	\$ 19 238	\$ 19 945
INCREASE (DECREASE) IN NAV SERIES O	\$ 19 238	\$ 19 945
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT SERIES O	\$ 0.49	\$ 0.34

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 19 238	\$ 19 945
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(51 812)	(1 920)
Change in unrealized loss (gain) on investments	40 744	(7 738)
(Increase) decrease in accrued receivables	(14 448)	904
Increase (decrease) in accrued payables	8 761	838
Cost of investments purchased	(181 823)	(247 461)
Proceeds on sales of investments	276 545	306 666
NET CASH PROVIDED BY OPERATING ACTIVITIES	97 205	71 234
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	9 334	12 973
Cash paid on redemption of redeemable units	(118 772)	(76 351)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (109 438)	\$ (63 378)
Net increase (decrease) in cash for the year	(12 233)	7 856
Cash (bank overdraft), beginning of period	23 310	7 774
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 11 077	\$ 15 630
Interest received	\$ –	\$ (8)
Dividends received, net of withholding taxes	\$ 8 876	\$ 11 804

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 0	
	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 486 142	\$ 544 953
INCREASE (DECREASE) IN NAV	19 238	19 945
Early redemption fees	–	–
Proceeds from redeemable units issued	9 334	12 973
Reinvestments of distributions to holders of redeemable units	1	–
Redemption of redeemable units	(118 772)	(76 351)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(109 437)	(63 378)
Distributions from net income	(1)	–
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1)	–
NET INCREASE (DECREASE) IN NAV	(90 200)	(43 433)
NAV AT END OF PERIOD	\$ 395 942	\$ 501 520

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

June 30, 2014

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 international diversification by investing in common stocks of companies in Europe and the Far East (including Japan and Australia).

Financial instrument risk and capital management (see note 4 in the generic notes)**Currency risk (% of net assets)**

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

Currency	June 30 2014	December 31 2013	January 1 2013
Euro	31.0	36.5	27.3
Pound sterling	23.0	19.9	18.9
Swiss franc	14.9	11.3	15.7
Japanese yen	12.2	17.8	12.5
United States dollar	10.3	1.9	7.5
Hong Kong dollar	3.4	3.5	9.1
Norwegian krone	1.5	0.5	1.0
Australian dollar	1.0	1.0	1.0
Singapore dollar	0.6	0.6	3.7
South Korean won	0.5	0.5	0.5
Danish krone	0.5	–	–
Swedish krona	–	0.9	–
Brazilian real	–	–	0.5
Indian rupee	–	–	0.5
Other currencies	0.6	0.7	–
Total	99.5	95.1	98.2

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, 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 2014	December 31 2013	January 1 2013
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 1.0	+ 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, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	26 868	352 568	–	379 436
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	4	–	4
Derivatives – liabilities	–	(57)	–	(57)
Total financial instruments	26 868	352 515	–	379 383
% of total portfolio	7.1	92.9	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	9 219	453 818	–	463 037
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	9 219	453 818	–	463 037
% of total portfolio	2.0	98.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	40 826	494 427	–	535 253
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	11	–	11
Derivatives – liabilities	–	–	–	–
Total financial instruments	40 826	494 438	–	535 264
% of total portfolio	7.6	92.4	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

June 30, 2014

Operating expenses (see note 7 in the generic notes)

The administration fee of Series O of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.08%
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Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	294 406
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

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

	2014	2013
Series O		
Opening units	47 396	64 893
Issued number of units	871	1 492
Reinvested number of units	–	–
Redeemed number of units	(11 325)	(8 787)
Ending number of units	36 942	57 598

Transaction costs (\$000s except %)

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

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	943	100	1 104	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements†	–	–	–	–

* See note 7 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) (see note 6 in the generic notes)

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

	June 30 2014	June 30 2013
Fair value of securities loaned	63 395	86 717
Fair value of collateral received	66 564	91 053

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Balanced Fund	7 174	8 185
Phillips, Hager & North Global Equity Fund	3 550	4 538
Phillips, Hager & North Balanced Pension Trust	5 753	7 507
Total	16 477	20 230

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	501 470	544 950
Revaluation of investments at FVTPL	50	3
Net assets attributable to holders of redeemable units	501 520	544 953

June 30
2013

Comprehensive income

Comprehensive income as reported under Canadian GAAP	19 898
Revaluation of investments at FVTPL (see note 3 in the generic notes)	47
Increase (decrease) in net assets attributable to holders of redeemable units	19 945

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 advisor, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario.

The Funds may issue an unlimited number of units in some or both of Series A and Series O.

Series A units are available to all investors and may be purchased, switched or redeemed through RBC GAM or other authorized dealers.

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 year/period

The information provided in these financial statements and notes thereto is for the six-month periods ended June 30, 2014 and 2013, or as at June 30, 2014, December 31, 2013 and January 1, 2013. 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 accordance with International Financial Reporting Standards (“IFRS”), which include estimates and assumptions made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds, which are investment entities, are as follows:

Fair Value Option A financial instrument can be designated as fair value through profit and loss (“FVTPL”) on its initial recognition (the fair value option). Financial instruments that are held for trading (“HFT”) are required to be classified as FVTPL by nature. Other financial instruments can be designated as FVTPL if they have a reliably measurable fair value and satisfy some criteria such as (i) it eliminates or

significantly reduces an accounting mismatch and (ii) it is part of a portfolio that is managed and its performance is evaluated on a fair value basis. Management’s judgment is that all financial instruments not required to be classified as FVTPL are designated as FVTPL since all Funds satisfy the above criteria.

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); 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 are classified as HFT, unless otherwise specified, and are recorded at fair value, which is determined as follows:

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing price recorded by the security exchange on which the security is principally traded.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers in such securities.

Short-Term Investments – Short-term investments are valued at their cost including applicable foreign exchange translations. This value, together with accrued interest, approximates fair value using closing prices.

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 gain or loss at the close of business on each valuation date is recorded in the Statements of Comprehensive Income. The net receivable/payable on forward contracts is

recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Mutual Fund Unit Valuation – Units of Funds are valued at their respective net asset value per unit from fund companies on the relevant valuation dates.

Fair Valuation of Investments (including unlisted securities) – If the valuation methods described above are not appropriate, RBC GAM will estimate the fair value of an investment using established fair valuation procedures, such as consideration of public information, broker quotes, valuation models, fundamental analysis, matrix pricing, discounts from market prices of similar securities or discounts applied due to restrictions on the disposition of securities, and external fair value service providers.

Procedures are in place to determine the fair value of foreign securities traded in countries outside 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. This fair valuation process takes into account the last quoted price of the security and adjusts the price based on inputs such as related indices, changes in foreign markets and American Depository Receipts (“ADR”) prices. These securities are classified as Level 2.

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. 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 are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Valuation of Series A different net asset value is calculated for each series of units of a Fund. The net asset value 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 net asset value 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 period change in the difference between fair value and average cost of securities represents unrealized gains and losses. 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. “Other income (loss)” includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. “Other income received from underlying funds” includes income earned by a Fund from investments in underlying funds.

Increase (Decrease) in NAV per Redeemable Unit Increase (decrease) in NAV per redeemable 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:

AUD – Australian Dollar	GBP – Pound Sterling
CAD – Canadian Dollar	JPY – Japanese Yen
CHF – Swiss Franc	NOK – Norwegian Krone
DKK – Danish Krone	SGD – Singapore Dollar
EUR – Euro	USD – United States Dollar

4. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund's capital, which is its net assets 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 advisors, 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.

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 net assets for the purpose of funding redemptions.

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 credit worthiness 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 6). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

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 Canadian dollars is affected by changes in the value of the Canadian dollar or a Fund's functional currency, in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of 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.

5. 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. 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 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.

6. 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.

7. Administrative and other related-party transactions

Manager, Portfolio Advisor, Distributor and Registrar

RBC GAM is an indirect wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager, portfolio advisor, distributor and registrar 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. RBC GAM, as registrar also keeps records of who owns units of the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. 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. 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 semi-annual 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 Board of Governors ("BoG") 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 among each series of units of a fund in accordance with the services used. 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.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal businesses are discussed below.

Sub-Advisor

Sky Investment Counsel Inc. ("Sky") is the sub-advisor for the Phillips, Hager & North Overseas Equity Pension Trust. RBC GAM has a non-controlling interest in Sky.

Brokerage

The Funds have established standard brokerage agreements at market rates with related-party dealers.

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.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the BoG in its capacity as 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.

June 30, 2014

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 BoG 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.

8. Transition to IFRS

The effect of the Funds' transition to IFRS from Canadian generally accepted accounting principles (GAAP) is summarized as follows:

Statements of cash flows – All Funds are required under IFRS to provide cash flow statements. Under Canadian GAAP most Funds were exempt from this requirement.

Revaluation of investments as FVTPL – Under Canadian GAAP, the fair value of investments was generally required to use bid prices for long positions and ask prices for short positions. Under IFRS, the fair value of investments is generally measured using closing prices – that is, in the same manner in which the daily net asset value per unit is measured for unitholder transaction purposes. As a result, upon adoption of IFRS, adjustments were recognized at January 1, 2013, June 30, 2013 and December 31, 2013.

All financial assets and financial liabilities were classified as FVTPL upon transition to IFRS. Previously financial assets and financial liabilities were carried at fair value under Canadian GAAP.

Reconciliation of net assets and comprehensive income previously reported under Canadian GAAP to IFRS are disclosed in the Fund specific notes.

Classification of redeemable units of the Fund – Upon transition to IFRS the redeemable units have been reclassified as a financial liability. Under Canadian GAAP the units were accounted for as equity.

Investment entity – It has been determined that the Funds meet the definition of “investment entity” and as a result, investments in other mutual funds managed by RBC GAM are measured at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgment that has been made in determining that the Funds meet this definition is that fair value is used as the primary measurement attribute to measure and evaluate the performance of substantially all of their investments.

June 30, 2014

On January 1, 2011, the Board of Governors became the independent review committee of the Phillips, Hager & North investment funds. The Board of Governors was first established in 1994 to provide advice to RBC Global Asset Management Inc. regarding conflicts of interest in fund management. All of the members of the Board of Governors are independent of RBC Global Asset Management Inc. and RBC Financial Group.

In its capacity as the independent review committee, the Board of Governors provides input on conflict of interest matters in respect of RBC Global Asset Management Inc. and the Phillips, Hager & North investment funds. At least once per year, the Board of Governors reviews and assesses the adequacy and effectiveness of the fund manager's policies and procedures relating to conflict of interest matters.

The Board of Governors is responsible for reviewing and assessing the independence of its members, the compensation of its members, and the effectiveness of the Board of Governors, its subcommittees and its members. In order to effectively manage its workload, the Board of Governors has three subcommittees: the Financial Advisory Committee, the Investment Conflicts Committee and the Governance Committee.

The Board of Governors has also been asked by RBC Global Asset Management Inc. to maintain its important role of providing advice on other issues relating to the management of the Phillips, Hager & North investment funds. This includes the role of the Financial Advisory Committee of the Board of Governors to provide advice concerning financial reporting, the audit process and financial internal controls.

The annual report of the Board of Governors describing its activities as the independent review committee of the Phillips, Hager & North investment funds is available under Mutual Fund Governance at www.rbcgam.com and on SEDAR at www.sedar.com.

If you have any questions or comments about the Board of Governors or its committees, please let us know by contacting Melanie Adams, Secretary to the Board of Governors, at the address below.



Lloyd R. McGinnis, OC, PEng
Chair of the Board of Governors

Board of Governors

Attention: Melanie Adams
RBC Global Asset Management Inc.
P.O. Box 7500, Station A
Toronto, Ontario M5W 1P9

Board of Governors

Lloyd R. McGinnis
Chair of the Board of Governors
Director
Airport Site Development
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Richford Holdings Ltd.
Edmonton, Alberta

Joseph P. Shannon⁶
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Atlantic Corporation
Port Hawkesbury, Nova Scotia

James W. Yuel⁶
Chair
PIC Investment Group Inc.
Saskatoon, Saskatchewan

¹ Member of the Financial Advisory Committee

² Chair of the Financial Advisory Committee

³ Member of the Investment Conflicts Committee

⁴ Chair of the Investment Conflicts Committee

⁵ Chair of the Governance Committee

⁶ Member of the Governance Committee

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

By Phone

Toll-Free: **1-888-880-5588**

By Mail

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On the Internet

Visit the SEDAR website at: **www.SEDAR.com**
Email us at: **institutions@phn.com**



**RBC Global
Asset Management**