PH&N PENSION TRUST

PHILLIPS, HAGER & NORTH
Investment Management®

Simplified Prospectus

June 27, 2014

Managed by Phillips, Hager & North Investment Management®*

Offering Series A and Series O units of the following Phillips, Hager & North investment funds:

Phillips, Hager & North Balanced Pension Trust
Phillips, Hager & North Canadian Equity Pension Trust[1]
Phillips, Hager & North Small Float Fund
Phillips, Hager & North Canadian Equity Plus Pension Trust
Phillips, Hager & North Overseas Equity Pension Trust[1]

[1] Offering Series O units only.

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

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Introduction

RBC Global Asset Management Inc.

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

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

This document (the "Simplified Prospectus") contains selected important information to help you make an informed investment decision and understand your rights as an investor. It is divided into three parts. The first part, from pages 2 to 8, contains general information regarding mutual funds and their risks and tells you who manages the Funds. The second part, from pages 9 to 23, contains specific information about each of the Funds described in this document. The third part, from pages 24 to 33, contains general information about each of the Funds.

Additional information about each Fund is available in the annual information form of the Funds (the "Annual Information Form"), the most recently filed Fund Facts, the most recently filed annual financial statements of the Funds, any interim financial report of the Funds filed after those annual financial statements, the most recently filed annual management report of fund performance, and any interim management report of fund performance filed after that annual management report of fund performance. These documents are incorporated by reference into this Simplified Prospectus, which means that they are legally part of this document just as if they were printed as part of it. You can get a copy of these documents at no cost by:

› calling us at 1-888-880-5588;

› faxing us toll-free at 1-800-666-9899;

› emailing us at *institutions@phn.com*; or

› contacting another dealer who sells our Funds.

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

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

› at *www.sedar.com*.

In this Simplified Prospectus, "you" and "your" mean the investor; "PH&N," "we," "us," "our" and "Phillips, Hager & North" mean Phillips, Hager & North Investment Management, a division of RBC GAM; the "Fund" or the "Funds" refers to one or more of the mutual funds offered under this Simplified Prospectus.

What is a mutual fund and what are the risks of investing in a mutual fund?

What is a mutual fund?

A mutual fund is a pool of investments made on behalf of people with similar investment objectives. When you invest in a fund, you are combining your money with that of many other investors. We use this pool of money to buy a wide variety of investments on behalf of the entire group of investors. We follow a set of guidelines outlined in the investment objectives and investment strategies of each Fund. You can find these later in this Simplified Prospectus. You and all the other investors share in any profits or losses the mutual fund makes.

Each Fund is organized as a trust and sold in units, which are issued in series. Each unit of a series represents an undivided share of the Fund's net assets, equal to the share of every other unit of the series. There is no limit to the number of units each Fund can issue. However, certain Funds may be closed to new investors from time to time.

What are the risks of investing in a mutual fund?

There is no such thing as risk-free investing. For investors, risk is the possibility of losing money or not making any money. The same is true with mutual funds. The value of a mutual fund may change every day, reflecting changes in interest rates, economic conditions, and market and company news. Therefore, when you redeem your units in a mutual fund, you may receive less than the full amount you originally invested. The full amount of your investment in a mutual fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates ("GICs"), mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

One risk of a mutual fund is that, in exceptional circumstances, a fund manager may not accept requests to redeem units of the mutual fund or the delivery of your redemption proceeds may be delayed. These circumstances in the context of the Funds are explained under the heading *Purchases, switches and redemptions* on page 24.

Mutual funds own different types of investments, depending on their investment objectives. The principal risks associated with a mutual fund are the same risks that affect the value of the investments held by that fund.

The total effect of the different types of risk is measured by volatility. Volatility measures how variable the value of a mutual fund is relative to an expected return. The value of some mutual funds will change very little over time while others will change substantially.

It is very important that you be aware of the risks associated with the different mutual funds you invest in, their relative return over time and their volatility.

Specific risks in respect of the Funds

The value of mutual funds like the Funds can change from day to day because the value of the securities in which they invest can be affected by changes in interest rates, the economy, financial markets or company news. As a result, when you redeem your mutual fund units, they may be worth more or less than when you bought them.

The risks outlined below are some of the most common risks associated with investing in the Funds, with the specific risks being enumerated under each Fund description in the section *Specific information about each of the Funds described in this Simplified Prospectus* beginning on page 9.

The particular risks that may be associated with investing in the Funds are described below in alphabetical order.

Concentration risk

There are risks associated with any mutual fund like one of the Funds that concentrates its investments in a particular issuer or issuers. Concentrating investments allows a fund to focus on a particular issuer's potential, but it also means that the value of the fund tends to be more volatile than the value of a more diversified fund because the concentrated fund's value is affected more by the performance of that particular issuer.

Credit risk

Credit risk is the possibility that a borrower or issuer, or the counterparty to a derivatives contract, repurchase agreement or reverse repurchase agreement, is unable or unwilling to repay the loan, obligation or interest payment, either on time or at all. A mutual fund like one of the Funds can lose money if the borrower or the issuer of a bond or other fixed-income security can't pay interest or repay principal when it's due.

The debt securities issued by companies, governments and special purpose vehicles (such as vehicles that issue asset-backed securities or mortgage-backed securities) that act as a counterparty or borrow money are often rated by specialized rating agencies. Debt securities issued by companies or governments in emerging markets often have higher credit risk (lower rated debt), while debt securities issued by well-established companies or by governments of developed countries tend to have lower credit risk (higher rated debt). A downgrade in an issuer's credit rating or other adverse news regarding an issuer can influence a debt security's market value. There is no guarantee that third-party credit ratings represent an accurate assessment of the risk of owning a particular issuer's securities. If a rating agency has given a higher rating to an issuer's securities than those securities inherently deserve, the value of the securities may decrease substantially as the market becomes aware of the issuer's true risk. Other factors can also influence a debt security's market value or the ability of an issuer to pay interest or repay principal when due, such as a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security, and the underlying assets or collateral, if any. Lower rated and unrated debt instruments generally offer a better return than higher grade debt instruments but have the potential for substantial loss. Funds that invest in companies or markets with higher credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long term.

A credit spread is the difference between interest rates payable on an issuer's fixed-income security and a government-issued fixed-income security that are identical except for the credit rating. If the market determines that a higher return is necessary to compensate for the higher risk of a lower rated fixed-income security, the credit spread will increase. If a credit spread increases after the purchase of a fixed-income security, the value of that security will decrease.

Currency risk

Most Canadian mutual funds are valued in Canadian dollars. However, mutual funds that purchase foreign securities may be required to pay for such securities using a foreign currency and receive a foreign currency when they sell them. Such mutual funds may also purchase foreign currencies as investments. As a result, changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollars, of any foreign securities or foreign currencies in a mutual fund. For example, if the Canadian dollar rises relative to the U.S. dollar, a fund's U.S. holdings will be worth fewer Canadian dollars. This decline in value may reduce, or even eliminate, any return the mutual fund has earned. Currency exposure may increase the volatility of foreign investments relative to Canadian investments. Some mutual funds may hedge (protect against) the risk of changes in foreign currency exchange rates of the underlying assets of the mutual fund.

Derivatives risk

A derivative is a type of investment whose value is derived from the performance of other investments or from the movement of interest rates, exchange rates or market indices.

The Funds may use derivatives as permitted by the Canadian Securities Administrators as long as their use is compatible with the individual Fund's investment objectives. **A Fund cannot use derivatives for speculative trading or to create a portfolio with excess leverage.** If a Fund uses derivatives, securities regulations require that the Fund hold enough assets or cash to cover its commitments in the derivative contracts. This limits the amount of losses that could result from the use of derivatives.

There are many different types of derivatives – they usually take the form of a contract to buy or sell a specific commodity, currency, stock or market index.

The most common types of derivatives are:

› a futures or forward contract – these are agreements made today to buy or sell a particular currency, security or market index on a specific day in the future at a specified price;

› an option contract – these are agreements that give the buyer the right, but not the obligation, to buy or sell certain securities within a certain time period, at a specified price; and

› a swap agreement – these are negotiated contracts between parties agreeing to exchange payments based on returns of different investments. Interest rate swaps are a common type of swap agreement. Interest rate swaps are often structured so that Party A agrees to pay Party B a fixed amount based on a pre-set interest rate. In return, Party B agrees to pay Party A a floating amount based on a reference rate such as bankers acceptances or the London Inter-Bank Offered Rate ("LIBOR").

Derivatives have their own special risks. Here are some of the common ones:

› Using derivatives for hedging may not always work and it could limit a mutual fund's potential to make a gain.

› Using derivatives for non-hedging does not protect a mutual fund from a decline in the value of the underlying security, currency or market for which the derivative is a substitute.

› Costs relating to entering into, maintaining and unwinding derivatives contracts may reduce the returns of a mutual fund.

› The price of a derivative may not accurately reflect the value of the underlying currency or security.

› There is no guarantee that a mutual fund can close out a derivative contract when it wants to. If, for example, a stock exchange imposes trading limits, it could affect the ability of a mutual fund to close out its position in derivatives. This type of event could prevent a mutual fund from making a profit or limiting its losses.

› Derivatives traded on foreign markets may be harder to trade and have higher credit risks than derivatives traded in North America.

› The other party to a derivative contract, known as the counterparty, may not be able to meet its obligation to complete the transaction. In general, credit ratings are relied on as indications of the ability of the other party to live up to its agreement. In the event of the bankruptcy or insolvency of the counterparty, collateral posted by the mutual fund to secure obligations of the fund pursuant to derivatives contracts may be difficult to recover. During the recovery process, the collateral posted may fluctuate in value.

Foreign investment risk

Foreign investments are affected by global economic factors. There is often less information available about foreign companies and many countries have less stringent accounting, auditing and reporting standards than we do in Canada, or lower standards of government supervision and regulation. Some foreign stock markets have less trading volume, which may make it more difficult to sell an investment or may make prices more volatile. Certain countries may also have foreign investment or exchange laws that make it difficult to sell an investment or may impose withholding or other taxes that could reduce the return on the investment. Different financial, political and social factors could hurt the value of foreign investments. Investments in foreign markets may be subject to change in currency exchange rates, the imposition of taxes or the expropriation of assets. Mutual funds that specialize in foreign investments may experience larger or more frequent price changes in the short term. The risks of foreign investments are generally higher in emerging markets.

Income trust risk

Income trusts generally hold debt and/or equity securities of an underlying active business or are entitled to receive a royalty on revenues generated by such a business. To the extent that an underlying business is susceptible to industry risks, interest rate fluctuations, commodity prices and other economic factors, investment returns from an income trust may be similarly affected. Although distributions and returns are neither fixed nor guaranteed, income trusts are structured in part to provide a constant stream of income to investors. As a result, an investment in an income trust may be subject to interest rate risk. There is also a remote risk that where claims against an income trust are not satisfied by that trust, investors in that trust could be held liable for any outstanding obligations.

Interest rate risk

If a mutual fund like one of the Funds invests primarily in bonds and other fixed-income securities, a significant influence on the mutual fund's value will be changes in the general level of interest rates. If interest rates fall, the value of the mutual fund's units will tend to rise. If interest rates rise, the value of the mutual fund's units will tend to fall. Depending on a mutual fund's holdings, short-term interest rates can have a different influence on a mutual fund's value than long-term interest rates. If a mutual fund like one of the Funds invests primarily in bonds and other fixed-income securities with longer-term maturities, the biggest influence on the mutual fund's value will be changes in the general level of long-term interest rates. If a mutual fund invests primarily in bonds and other fixed-income securities with shorter-term maturities, the biggest influence on the mutual fund's value will be changes in the general level of shorter-term interest rates. If you are seeking current income, you should be aware that the level of interest income from a money market fund will fluctuate as short-term interest rates vary.

Large investor risk

The securities of a mutual fund like one of the Funds, including an underlying fund, may be held in significant percentages by an investor, including another mutual fund. In order to meet purchase and redemption requests by the investor, the mutual fund may have to alter its holdings significantly and purchase or sell investments at unfavourable prices and incur capital gains and transaction costs. This can reduce the returns of the mutual fund. The Fund descriptions disclose if any investor held a significant percentage (more than 10%) of the net asset value of a Fund as at May 30, 2014.

If a Fund experiences a "loss restriction event" (i) the Fund will be deemed to have a year-end for tax purposes, and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, a Fund will be subject to a loss restriction event when a person becomes a "majority-interest beneficiary" of the Fund, or a group of persons becomes a "majority-interest group of beneficiaries" of the Fund, as those terms are defined in the affiliated persons rules contained in the *Income Tax Act* (Canada) (the "Tax Act"), with appropriate modifications. Generally, a majority-interest beneficiary of a Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund.

Liquidity risk

Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. Most securities owned by mutual funds like one of the Funds can be sold easily and at a fair price. In highly volatile markets, such as in periods of sudden interest rate changes, certain securities may become less liquid, which means they cannot be sold as quickly or easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, or certain features like guarantees or a lack of buyers interested in the particular security or market. Difficulty in selling securities may result in higher volatility, a loss or reduced return for a fund.

Market risk

Market risk is the risk of being invested in the equity and fixed-income markets. The market value of a mutual fund's investments will rise and fall based on specific issuer developments and broader equity or fixed-income market conditions. Market value will also vary with changes in the general economic and financial conditions in countries or sectors in which the investments are based.

Multiple series risk

The Funds are available in more than one series of units. Each series has its own fees and expenses, which are tracked separately. Those expenses will be deducted in calculating the unit value for that series, thereby reducing its unit value. If one series is unable to pay its expenses or liabilities, the assets of the other series will be used to pay those expenses or liabilities. As a result, the unit price of the other series may also be reduced. Please see *Purchases, switches and redemptions* on page 24 and *Fees and expenses* on page 28 for more information regarding each series and how their unit value is calculated.

Securities lending, repurchase and reverse repurchase risk

There are risks associated with securities lending transactions, repurchase transactions and reverse repurchase transactions. The value of securities loaned under a securities lending transaction or sold under a repurchase transaction may exceed the value of the collateral held by a mutual fund like one of the Funds. If there is a default on an obligation to repay or resell the securities to the mutual fund, the collateral may be insufficient to enable the mutual fund to purchase replacement securities and the mutual fund may suffer a loss for the difference and/or experience delays in receiving payment. Similarly, the value of securities purchased by a mutual fund under a reverse repurchase transaction may decline below the amount of cash paid by the mutual fund. If there is a default on an obligation to repurchase the securities from the mutual fund, the mutual fund may need to sell the securities for a lower price and suffer a loss for the difference.

For more information about how the Funds may engage in these transactions, please see the section called *How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions* on page 11.

Small capitalization risk

Securities of small capitalization companies tend to be traded less frequently and in smaller volumes than those of large capitalization companies. As a result, the prices of shares of small cap companies tend to be less stable than those of large cap companies. Their value may rise and fall more sharply than other securities, and they may be more difficult to buy and sell.

Specialization risk

Some mutual funds specialize by investing in a particular sector of the economy or part of the world or by using a specific investment style or approach, like growth, value or socially responsible investing. Specialization allows a mutual fund to focus on a specific investment approach, which can boost returns if the particular sector, country or investment style is in favour. However, if the particular sector, country or investment style is out of favour, the value of the mutual fund may underperform relative to less specialized investments. Mutual funds that specialize tend to be less diversified but may add diversification benefits to portfolios that do not otherwise have exposure to this specialization.

Transaction cost risk

The asset allocation process used by underlying funds may result in additional transaction costs. This process can have an adverse effect on the performance of an underlying fund during periods of increased equity market volatility. In addition, the investment strategy used by an underlying fund may result in the underlying fund having a higher portfolio turnover rate. Portfolio turnover refers to the frequency of portfolio transactions and the percentage of portfolio assets being bought and sold during the year, which may increase overall costs.

Organization and management of the Funds

Manager RBC Global Asset Management Inc. Head Office 155 Wellington St. W. Suite 2200 Toronto, Ontario M5V 3K7 Phillips, Hager & North Investment Management* Main Operating Office 20th Floor, 200 Burrard Street Vancouver, British Columbia V6C 3N5	RBC GAM is the manager and principal portfolio advisor of the Funds. Phillips, Hager & North Investment Management is a division of RBC GAM principally responsible for carrying out RBC GAM's responsibilities as manager and principal portfolio advisor of the Funds. Phillips, Hager & North has its main operating office in Vancouver, British Columbia. RBC GAM is an indirect wholly-owned subsidiary of Royal Bank. As manager, RBC GAM manages the overall business and operations of the Funds. The Funds may invest in units of other investment funds managed by RBC GAM or its affiliates or associates. We provide investment counselling services to company pension and multi-employer pension plans, foundations, endowments, corporations, private clients and our own investment funds. We will not vote units of other investment funds managed by RBC GAM or its affiliates or associates held by the Funds. However, we may pass on the right to vote units of other investment funds managed by RBC GAM or its affiliates or associates to unitholders of the Funds that hold such units.
Portfolio Advisor and Sub-Advisor RBC Global Asset Management Inc. Head Office 155 Wellington St. W. Suite 2200 Toronto, Ontario M5V 3K7 Phillips, Hager & North Investment Management* Main Operating Office Vancouver, British Columbia	As principal portfolio advisor, RBC GAM manages the investment portfolios of the Funds directly or through sub-advisors. Sky Investment Counsel Inc. is the sub-advisor with respect to the Overseas Equity Pension Trust. RBC GAM holds a non-controlling equity interest in Sky Investment Counsel Inc. The fees for sub-advisors are paid by RBC GAM and not the Funds. RBC GAM is ultimately responsible for the advice provided to the Funds even if it is provided through a sub-advisor.
Principal Distributor RBC Global Asset Management Inc. Phillips, Hager & North Investment Management* Main Operating Office Vancouver, British Columbia	RBC GAM is the principal distributor of units of the Funds. As principal distributor, RBC GAM is responsible for marketing and distributing units of the Funds where permitted under applicable securities laws.
Trustee and Custodian RBC Investor Services Trust Toronto, Ontario	As trustee, RBC Investor Services Trust ("RBC IS") holds title to securities owned by each Fund on behalf of its unitholders with responsibility to act in the best interest of unitholders. As custodian, RBC IS holds the Funds' cash and investments in safekeeping on behalf of the Funds. RBC IS is a wholly-owned subsidiary of Royal Bank and an affiliate of RBC GAM.

Registrar RBC Global Asset Management Inc. Head Office 155 Wellington St. W. Suite 2200 Toronto, Ontario M5V 3K7 Phillips, Hager & North Investment Management* Main Operating Office Vancouver, British Columbia	As registrar, we process all the purchases and redemptions of units of the Funds, keep a register of all investors, and issue investor statements and annual tax slips for investors.
Auditor Deloitte LLP Toronto, Ontario	As auditor, Deloitte LLP provides assurance that the Funds' annual financial statements present fairly, in all material respects, their financial position and results of operations in accordance with International Financial Reporting Standards.
Board of Governors ***(Independent Review Committee)***	The Board of Governors acts as the independent review committee that the Funds and other funds managed by RBC GAM are required to have pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107"). The Board of Governors also provides independent oversight as required under the terms of certain exemptive relief for certain transactions by certain non-prospectus funds managed by RBC GAM. The Board of Governors also provides advice to RBC GAM on other issues relating to the management of the Funds. The Board of Governors is currently composed of nine members. Each member is independent from RBC GAM, the Funds and the entities related to RBC GAM. The Board of Governors prepares, at least annually, a report of its activities for you, which will be available on our website at *www.rbcgam.com* or at your request and at no cost by calling us at 1-888-880-5588 or by emailing us at *institutions@phn.com*. Additional information about fund governance and the Board of Governors, including the names of its members, is available in the Funds' Annual Information Form. In certain circumstances, the Board of Governors is permitted under securities legislation to approve a fund merger instead of obtaining unitholder approval for such a merger. In these circumstances, you will receive written notice of any proposed fund merger at least 60 days prior to the completion of the merger.

* Phillips, Hager & North Investment Management is a division of RBC GAM that is principally responsible for carrying out RBC GAM's responsibilities as manager and principal portfolio advisor of the Funds.

Specific information about each of the Funds described in this Simplified Prospectus

Introduction

This section provides additional information that will help you to better understand the description of each of the Funds that appears on the following pages.

General

Information about each Fund is summarized on the following pages. Here is an explanation of what you will find under each heading.

Fund details

This table gives you a brief summary of each Fund. It describes what type of mutual fund it is, when it was established and the series of units that the Fund offers. The table also highlights whether units of the Fund are a qualified investment under the Tax Act for registered plans. It also tells you the name of the portfolio sub-advisor, if there is one, and the management fee and administration fee for each series of the Fund.

Investment objectives

This section outlines the investment objectives of each Fund and the type of securities in which the Fund may invest to achieve those investment objectives.

Investment strategies

This section describes the principal investment strategies that the portfolio advisor uses to achieve the Fund's investment objectives. It gives you a better understanding of how your money is being managed. The format also allows you to compare more easily how different mutual funds are managed.

This section also highlights:

› any significant investment restrictions adopted by the Fund; and
› the potential use of derivatives and a description of how they will be used.

For details of regulatory relief that the Funds have obtained, please see *Regulatory relief from investment restrictions* on page 10.

What are the risks of investing in the Fund?

Understanding risk and your comfort with risk is an important part of investing. In each of the Fund profiles, the section *What are the risks of investing in the Fund?* highlights the specific risks of each Fund. We have also listed the risks in the order of relevance for each Fund. You will find general information about the risks of investing and descriptions of each specific risk in *What is a mutual fund and what are the risks of investing in a mutual fund?* on page 2.

Who should invest in the Fund?

In each of the Fund profiles, the section *Who should invest in this Fund?* explains the type of investor for whom the Fund may be suitable. As an investor, the most important part of your financial plan is understanding:

› your objectives – what are you expecting from your investments – income, growth or a balance of the two;
› your investment time horizon – how long are you planning to invest; and
› your risk tolerance – how much volatility in your investment are you willing to accept.

When looking at the risks for each Fund, you should also consider how the Fund will work with your other investment holdings. For instance, if you are considering an aggressive growth fund, it may be too risky if it is your only investment. If you plan on holding it as a portion of your overall portfolio, it may be a good way to increase your potential portfolio returns while limiting the overall risk of the portfolio – benefiting from diversification.

Investment risk classification methodology

The fund risk rating referred to in the section entitled *Who should invest in this Fund?* in each Fund's profile will help you decide, along with your financial advisor, whether a Fund is right for you. This information is only a guide. Our determination of the risk rating for each Fund is guided by the methodology recommended by the Fund Risk Classification Task Force ("Task Force") of The Investment Funds Institute of Canada ("IFIC"). The Task Force concluded that the most common, easily understood form of risk is the historical volatility of a fund as measured by the standard deviation of its performance. Just as historical performance may not be indicative of future returns, a fund's historical volatility may not be indicative of its future volatility. You should be aware that other types of risk, both measurable and non-measurable, also exist.

Standard deviation is a statistical measure used to estimate the dispersion of a set of data around the average value of the data. In the context of investment returns, it measures the amount of variability of returns that has historically occurred relative to the average return. For example, if a fund has an average annual return of 7% and a standard deviation of 9%, the fund's historical one-year return would have ranged between -2% and 16% (i.e. 7% +/- 9%) approximately two-thirds (68%) of the time. Approximately one-third of the time the fund's historical one-year return would have been either lower or higher than this range. Accordingly, the higher the standard deviation of a fund, the greater the range of returns it has experienced in the past.

Using this methodology, we assign a risk rating to each Fund as either low, low to medium, medium, medium to high, or high risk.

- Low – Funds that are rated with a low risk rating are commonly associated with money market funds and Canadian fixed-income funds.
- Low to medium – Funds that are rated with a low to medium risk rating are commonly associated with balanced, higher yielding fixed-income and asset allocation funds.
- Medium – Funds that are rated with a medium risk rating are commonly associated with equity funds investing in large-capitalization companies in developed markets.
- Medium to high – Funds that are rated with a medium to high risk rating are commonly associated with equity funds investing in small-capitalization companies or specific regions or sectors.
- High – Funds that are rated with a high risk rating are commonly associated with equity funds investing in narrow sectors or emerging market countries where there may be substantial risk of loss over short to medium periods.

Using an average annual return of 7% as an example, IFIC risk categories can be summarized in the following table:

Risk Rating Categories	Standard deviations (%)	Average return (%)	Range of return (%)
Low	0 to 6	7	1 to 13
Low to medium	6 to 11	7	-4 to 18
Medium	11 to 16	7	-9 to 23
Medium to high	16 to 20	7	-13 to 27
High	> 20	7	< -13 to > 27

Generally, a Fund's risk rating is determined by comparing its average rolling three-year and/or five-year standard deviation, where applicable, calculated monthly and annualized from the inception of the Fund with the categories set out above. For those Funds that are new and do not have at least three years of performance history, we use the Fund's benchmark index as a proxy. There may be times when we believe this methodology produces a result that does not reflect a Fund's risk based on other qualitative factors. As a result, we may place the Fund in a different risk rating category, as appropriate. For example, when a comparable mandate already exists and the Fund's performance history is too short, we may assign a risk rating based on the historical standard deviation of performance of a comparable mandate in making our final determination of the Fund's risk rating. We review the risk rating for each Fund on an annual basis.

The methodology that we use to identify the investment risk level of the Funds is available on request, at no cost, by calling us toll-free at 1-877-408-6019 or by writing to us at 155 Wellington St. W., Suite 2200, Toronto, Ontario, M5V 3K7.

Regulatory relief from investment restrictions

Subject to the exceptions described below, RBC GAM manages each of the Funds in accordance with the standard mutual fund investment restrictions and practices (the "restrictions") contained in securities legislation, including National Instrument 81-102 – *Mutual Funds* ("NI 81-102") and NI 81-107. The restrictions are designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the proper administration of the Funds. The exceptions applicable to all Funds described below may only be relied upon by a Fund where compatible with the investment objectives of the Fund. Additional information about the relief described below, and other types of transactions with related parties that the Funds are permitted to engage in, is contained in the Annual Information Form under the heading *Investment restrictions*.

Purchase of debt securities of related issuers and principal transactions with related dealers

A Fund is permitted to:

- purchase debt securities of a related issuer which are not traded on an exchange if the purchase is made in the secondary market;
- purchase debt securities of a related issuer having a term to maturity exceeding 365 days in the primary market (i.e., securities issued for the first time); and
- purchase debt securities from and sell debt securities to related dealers that are principal dealers in the Canadian debt securities market.

For example, this relief would permit a Fund to purchase debt securities issued by our parent company, Royal Bank, or to purchase debt securities from or sell debt securities to our affiliate, RBC Dominion Securities Inc., acting as principal.

Related party underwritings

A mutual fund is generally prohibited from investing in a class of securities for which a related dealer has acted as underwriter during the period in which the distribution of those securities is carried out and for 60 days after that distribution. However, RBC GAM has obtained relief pursuant to which a Fund is permitted to purchase equity securities for which a related dealer has acted as underwriter, subject to Board of Governors approval and certain other conditions, during the distribution and for 60 days thereafter: (i) when a prospectus is filed in respect of the securities; or (ii) when no prospectus is filed in respect of the securities provided that the issuer is a reporting issuer in Canada.

Please also refer to the Annual Information Form of the Funds for additional information on the exemptions from the restrictions that RBC GAM has obtained.

Purchase of German exchange traded funds

A Fund whose investment objectives and strategies contemplate exposure to European equities is permitted pursuant to exemptive relief to invest in the securities of certain investment funds that are qualified as Undertakings for Collective Investment in Transferable Securities pursuant to the UCITS IV Directive (2009/65/EC), listed on the Frankfurt Stock Exchange and managed by BlackRock Asset Management Deutschland AG ("German ETFs").

Proxy voting

The proxies associated with securities held by the Funds will be voted in accordance with guidelines which seek to enhance long-term shareholder value and which are consistent with leading corporate governance practices. The guidelines are available on our website, *www.rbcgam.com*, or by contacting us at the number on the back cover of this Simplified Prospectus.

We may use a third-party firm to assist in evaluating how specific proxies should be voted. We may also delegate the actual voting of proxies to a third-party firm, under strict guidance provided by us.

Portfolio turnover rate

The portfolio turnover rate indicates how actively the Fund's portfolio advisor manages the Fund's investments. 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. In any year, the higher a Fund's portfolio turnover rate, the greater the trading costs payable by the Fund and the larger the capital gains distributions may be. There is not necessarily a relationship between a high portfolio turnover rate and the performance of a Fund. The Fund's portfolio turnover rate is calculated on a total Fund basis and not for each series of units. For information about the potential tax consequences that a high portfolio turnover rate may have on a Fund and on investors, see the section called *Units held in non-registered accounts* on page 32.

How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions

The Funds may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions in accordance with applicable securities legislation. We have agreed to provide at least six months' notice (or otherwise as required by applicable securities legislation) to unitholders prior to commencing these transactions unless the Fund participates in such transactions since inception. This notice has been provided to unitholders of the Overseas Equity Pension Trust with respect to securities lending transactions.

A securities lending transaction occurs when a Fund lends portfolio securities that it owns to a creditworthy institutional borrower. The borrower promises to return to the Fund, at a later date, an equal number or amount of the same securities and to pay a fee to the Fund for borrowing the securities. The Fund may recall the securities at any time. The borrower provides the Fund with collateral consisting of cash and/or securities or non-cash collateral equal to no less than 102% of the market value of the loaned securities measured each business day. Therefore, the Fund retains exposure to changes in the value of the securities loaned while earning additional income.

A repurchase transaction occurs when a Fund sells portfolio securities that it owns to a creditworthy institution for cash and simultaneously agrees to buy back the securities at a later date not to exceed 30 days.

The amount of cash maintained by a Fund for the transaction is at least 102% of the market value of the sold securities measured each business day. The Fund retains its exposure to changes in the value of the sold securities, but also earns additional income for participation in the repurchase transaction.

In securities lending and repurchase transactions, a Fund receives any interest or dividends paid by the issuer of the securities while those securities are held by the other party to the transaction.

A reverse repurchase transaction occurs when a Fund purchases portfolio securities from a creditworthy institution and simultaneously agrees to sell the securities back to the institution at a later date not to exceed 30 days. The difference between the Fund's purchase price for the securities and the resale price may provide the Fund with additional income. The basic purpose is to provide a Fund with short-term investment income for cash held by the Fund.

A Fund will not enter into a securities lending transaction or a repurchase transaction if, immediately thereafter, the aggregate market value of all securities loaned by the Fund and not yet returned to it, or sold by the Fund in repurchase transactions and not yet repurchased, would exceed 50% of the total assets of the Fund (exclusive of collateral held by the Fund for securities lending transactions and cash held by the Fund for repurchase transactions).

RBC IS or another custodian or sub-custodian of the Funds will act as the agent for the Funds in administering the securities lending, repurchase and reverse repurchase transactions of the Funds in accordance with an agency agreement. The risks associated with these transactions will be managed by requiring that the Funds' agent enter into such transactions, including negotiating agreements, with reputable and well-established Canadian and foreign brokers, dealers and institutions ("counterparties"). The agent will maintain internal controls, procedures and records, including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty, and collateral diversification standards. For further information, see the Funds' Annual Information Form.

Phillips, Hager & North Balanced Pension Trust

Fund details

Type of fund	Canadian neutral balanced		
Date started[1]	Series A – July 31, 2001		Series O – October 31, 2002
Type of securities	Series A and O trust units		
Eligibility	The Balanced Pension Trust is a qualified investment for RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs.		
Fees and expenses	See *Fees and expenses* on page 28 for more details.		
	Series	**Management fee[2, 3]**	**Administration fee**
	Series A	0.50%	0.01%
	Series O	–	0.01%

[1] Although the Fund was created in September 1988, we did not offer units for sale under a simplified prospectus until July 2001. Before July 2001, units of the Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.

[2] No management fees are charged to the Fund with respect to Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2%. Only certain investors qualify to purchase Series O units. See *Purchases, switches and redemptions* on page 24.

[3] This Fund will invest in other funds managed by RBC GAM. The management fee shown will be the only management fee charged to the Fund. There will be no duplication of the management fees paid by the funds in which this Fund invests. In addition, no sales charges or redemption fees will be paid by the Fund in connection with its investment in the other funds.

What does the Fund invest in?

Investment objectives

The fundamental investment objectives of the Fund are to provide long-term capital growth and income by investing primarily in a well-diversified, balanced portfolio of Canadian common stocks, bonds and money market securities. The Fund also holds a portion of its assets in foreign common stocks.

Fundamental investment objectives may only be changed with the approval of a majority of unitholders at a meeting called for that purpose. However, we may change the Fund's investment strategies described below, at our discretion.

Investment strategies

To achieve the Fund's investment objectives, we invest a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM. We will only invest in units of other funds where the investment is consistent with the investment objectives and strategies of the Fund and otherwise complies with applicable securities laws. For example, as at the date of this Simplified Prospectus, we intend to invest approximately 100% of the Fund's net asset value in units of other funds managed by RBC GAM. However, in the future we may not make these investments or may elect to make investments in other funds.

The Fund's investment strategy will be implemented without regard to the impact of greater trading activity or portfolio turnover which may result in less tax efficiency.

We do not typically make large shifts in the Fund's asset mix. Our investment philosophy is based on the following three principles:

› investments in high-quality common stocks represent an effective vehicle for creating wealth over the long term;

› wealth preservation and income objectives are best met by balancing common stock and fixed-income investments; and

› the cyclical nature of markets requires the timely adjustment of the mix of common stock and fixed-income investments to achieve superior investment results.

In addition to the standard investment restrictions imposed by securities legislation, the value of any one investment at month-end must not exceed 15% of the Fund's net assets at market value. This does not apply to government or government-guaranteed debt instruments or to investments in other funds managed by RBC GAM.

The Fund may use derivatives such as swaps, options, futures and forward contracts, as permitted by NI 81-102:

› for hedging purposes, including to protect against losses or reduce volatility resulting from changes in interest rates, market indices or foreign exchange rates including changes in the value of foreign currency relative to the Canadian dollar; and

› for non-hedging purposes, including as a substitute for direct investment, to generate income or extend or reduce the duration of fixed-income investments.

Any use of derivatives will be compatible with the Fund's investment objectives and strategies and will comply with applicable securities laws. For further information, see *Derivatives risk* on page 4.

Phillips, Hager & North Balanced Pension Trust

The Fund may invest a portion of its net asset value in non-Canadian securities where such investment is compatible with the investment objectives of the Fund. Although there is no specific limitation on the percentage of the net asset value of the Fund that may be invested in non-Canadian securities, as of the date of this Simplified Prospectus we do not expect that the Fund will invest more than 50% of its net asset value in non-Canadian securities.

We may depart temporarily from the Fund's fundamental investment objectives as a result of adverse market, economic, political or other considerations. In these circumstances, we may, as a temporary defensive tactic, increase the Fund's holdings of cash or short-term money market securities.

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, as permitted by applicable securities laws, to earn additional income for the Fund. The Fund does not currently enter into these types of transactions, but for more information on how the Fund could engage in these transactions see *How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions* on page 11.

What are the risks of investing in the Fund?

The principal risks associated with an investment in this Fund are as follows:

- interest rate risk;
- credit risk;
- market risk;
- concentration risk;
- currency risk;
- foreign investment risk;
- transaction cost risk;
- derivatives risk;
- multiple series risk;
- securities lending, repurchase and reverse repurchase risk; and
- large investor risk.

As at May 30, 2014, two investors held 42.7% and 11.1%, respectively, of the net asset value of the Fund. If an investor holds units representing a large portion of the outstanding units of the Fund, an investment in the Fund will involve large investor risk.

During the 12-month period prior to May 30, 2014, up to 35.8%, 34.3%, 13.9%, 13.1% and 12.9% of the net asset value of the Fund was invested in units of the Phillips, Hager & North Canadian Equity Fund, the Phillips, Hager & North Bond Fund, the Phillips, Hager & North U.S. Equity Fund, the Overseas Equity Pension Trust, and the RBC QUBE Global Equity Fund, respectively. If the Fund concentrates its investments in a particular issuer or issuers, an investment in the Fund will involve concentration risk. These funds are RBC GAM investment funds.

These and other risks which may also apply to the Fund are described in the section called *What are the risks of investing in a mutual fund?* on page 2.

Who should invest in this Fund?

This Fund may be right for you if:

- you are seeking less volatility than a typical all-stock portfolio and higher potential for growth than a typical all-bond portfolio; or
- you are planning to hold this investment for the medium to long term and can tolerate low to medium investment risk.

The Fund is primarily intended for use by institutions and corporations.

Distribution policy

A distribution of net income is made in March, June and September. Net income and net realized capital gains may also be distributed periodically as management fee reimbursements. The remaining net income and net realized capital gains are distributed in December.

Distributions from the Fund are automatically reinvested in units of the Fund unless you tell us in advance that you want to receive your distributions in cash. For more information about distributions, see the section called *Distributions from the Funds* on page 31.

Fund expenses indirectly borne by investors

The table below shows the fees and expenses that would be indirectly borne by an investor with respect to a $1,000 investment in the Fund over the periods shown, based on the assumption that the Fund's annual performance is a constant 5% per year and the Fund's management expense ratio remains at 0.60% for Series A units and 0.04% for Series O units.

Phillips, Hager & North Balanced Pension Trust

Similar information is shown in the descriptions of other mutual funds contained in this Simplified Prospectus. It allows you to compare the cost of investing in the Fund with the cost of investing in other funds.

Based on the above assumptions, your costs would be as shown in the table below. Your actual costs, of course, may be higher or lower.

	1 year	3 years	5 years	10 years
Series A	$6.15	$19.39	$33.98	$77.35
Series O	$0.41	$1.29	$2.27	$5.16

Phillips, Hager & North Canadian Equity Pension Trust

Fund details

Type of fund	Canadian equity		
Date started[1]	Series O – June 30, 2004		
Type of securities[2]	Series O trust units		
Eligibility	The Canadian Equity Pension Trust is a qualified investment for RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs.		
Fees and expenses	See *Fees and expenses* on page 28 for more details.		
	Series	**Management fee[3]**	**Administration fee**
	Series O	–	0.03%

[1] Although the Fund was created in March 1998, we did not offer units for sale under a simplified prospectus until June 2004. Before June 2004, units of the Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.

[2] Another series of units of the Fund exists, but is not offered under this Simplified Prospectus. The rights attached to this other series of units do not affect the rights attached to the series of units offered in this Simplified Prospectus.

[3] No management fees are charged to the Fund with respect to Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2%. Only certain investors qualify to purchase Series O units. See *Purchases, switches and redemptions* on page 24.

What does the Fund invest in?

Investment objectives

The fundamental investment objective of the Fund is to provide significant long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks.

Fundamental investment objectives may only be changed with the approval of a majority of unitholders at a meeting called for that purpose. However, we may change the Fund's investment strategies described below, at our discretion.

Investment strategies

To achieve the Fund's investment objectives, we generally look for growth companies to invest in that have:

› superior management;

› industry leadership;

› a high level of profitability compared to their competitors;

› a sound financial position;

› strong earnings growth; and

› a reasonable valuation.

In addition to the standard investment restrictions imposed by securities legislation, the value of any one investment at month-end must not exceed 15% of the Fund's net assets at market value. This does not apply to government or government-guaranteed debt instruments or to investments in other funds managed by RBC GAM.

The Fund may use derivatives such as swaps, options, futures and forward contracts, as permitted by NI 81-102:

› for hedging purposes, including to protect against losses or reduce volatility resulting from changes in interest rates, market indices or foreign exchange rates including changes in the value of foreign currency relative to the Canadian dollar; and

› for non-hedging purposes, including as a substitute for direct investment or to generate income.

Any use of derivatives will be compatible with the Fund's investment objectives and strategies and will comply with applicable securities laws. For further information, see *Derivatives risk* on page 4.

The Fund's investment strategies will be implemented without regard to the impact of greater trading activity or portfolio turnover which may result in less tax efficiency.

The Fund may invest a portion of its net asset value in non-Canadian securities where such an investment is compatible with the investment objectives of the Fund. Although there is no specific limitation on the percentage of the net asset value of the Fund that may be invested in non-Canadian securities, as of the date of this Simplified Prospectus we do not expect that the Fund will invest more than 10% of its net asset value in non-Canadian securities.

We may from time to time invest a significant portion or even all of the Fund's net asset value in other funds managed by RBC GAM where we believe that an investment in other funds is a more efficient and cost effective way of achieving the Fund's investment objectives. We will only invest in units of other funds where the investment is compatible with the Fund's investment objectives and strategies, and otherwise complies with applicable securities laws.

We may depart temporarily from the Fund's fundamental investment objectives as a result of adverse market, economic, political or other considerations. In these circumstances, we may, as a temporary defensive tactic, increase the Fund's holdings of cash or short-term money market securities.

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, as permitted by applicable securities laws, to earn additional income for the Fund. The Fund does not currently enter into these types of transactions, but for more information on how the Fund could engage in these types of transactions, see *How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions* on page 11.

What are the risks of investing in the Fund?

The principal risks associated with an investment in this Fund are as follows:

- market risk;
- concentration risk;
- currency risk;
- foreign investment risk;
- income trust risk;
- small capitalization risk;
- transaction cost risk;
- derivatives risk;
- securities lending, repurchase and reverse repurchase risk; and
- large investor risk.

As at May 30, 2014, three investors held 41.9%, 13.5% and 12.2%, respectively, of the net asset value of the Fund. If an investor holds units representing a large portion of the outstanding units of the Fund, an investment in the Fund will involve large investor risk.

During the 12-month period prior to May 30, 2014, up to 16.4% of the net asset value of the Fund was invested in units of the Small Float Fund. If the Fund concentrates its investments in a particular issuer or issuers, an investment in the Fund will involve concentration risk.

These and other risks which may also apply to the Fund are described in the section called *What are the risks of investing in a mutual fund?* on page 2.

Who should invest in this Fund?

This Fund may be right for you if:

- you are seeking capital growth over the long term from investments in quality, primarily Canadian, growth companies; or
- you are planning to hold this investment for the long term and can tolerate medium investment risk.

The Fund is primarily intended for use by institutions and corporations.

Distribution policy

All net income and net realized capital gains are distributed annually, in December, except for net income and net realized capital gains distributed periodically as management fee reimbursements.

Distributions from the Fund are automatically reinvested in units of the Fund unless you tell us in advance that you want to receive your distributions in cash. For more information about distributions, please see the section called *Distributions from the Funds* on page 31.

Fund expenses indirectly borne by investors

The table below shows the fees and expenses that would be indirectly borne by an investor with respect to a $1,000 investment in the Fund over the periods shown, based on the assumption that the Fund's annual performance is a constant 5% per year and the Fund's management expense ratio remains at 0.04% for Series O units.

Similar information is shown in the descriptions of other mutual funds contained in this Simplified Prospectus. It allows you to compare the cost of investing in the Fund with the cost of investing in other funds.

Based on the above assumptions, your costs would be as shown in the table below. Your actual costs, of course, may be higher or lower.

	1 year	3 years	5 years	10 years
Series O	$0.41	$1.29	$2.27	$5.16

Fund details

Type of fund	Canadian small/mid cap equity		
Date started[1]	Series A – October 31, 2002		Series O – July 30, 2002
Type of securities	Series A and O trust units		
Eligibility	The Small Float Fund is a qualified investment for RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs.		
Fees and expenses	See *Fees and expenses* on page 28 for more details.		
	Series	Management fee[2]	Administration fee
	Series A	1.00%	0.00%
	Series O	–	0.00%

[1] Although the Fund was created in February 1994, we did not offer units for sale under a simplified prospectus until July 2002. Before July 2002, units of the Fund were offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws.

[2] No management fees are charged to the Fund with respect to Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2%. Only certain investors qualify to purchase Series O units. See *Purchases, switches and redemptions* on page 24.

What does the Fund invest in?

Investment objectives

The fundamental investment objective of the Fund is to provide long-term capital growth by investing primarily in a well-diversified portfolio of Canadian equity securities of smaller capitalized corporations.

Fundamental investment objectives may only be changed with the approval of a majority of unitholders at a meeting called for that purpose. However, we may change the Fund's investment strategies described below, at our discretion.

Investment strategies

To achieve the Fund's investment objectives, we generally invest in small capitalization or less-liquid high-quality growth companies that have:

› superior management;

› industry leadership;

› a high level of profitability compared to their competitors;

› a sound financial position;

› strong earnings growth; and

› a reasonable valuation.

As described on the next page under *Who should invest in this Fund?*, the Fund is not intended as a stand-alone investment but as a small component in a broadly diversified Canadian equity portfolio.

In addition to the standard investment restrictions imposed by securities legislation, the value of any one investment at month-end must not exceed 15% of the Fund's net assets at market value. This does not apply to government or government-guaranteed debt instruments.

The Fund may use derivatives such as swaps, options, futures and forward contracts, as permitted by NI 81-102:

› for hedging purposes, including to protect against losses or reduce volatility resulting from changes in interest rates, market indices or foreign exchange rates including changes in the value of foreign currency relative to the Canadian dollar; and

› for non-hedging purposes, including as a substitute for direct investment or to generate income.

Any use of derivatives will be compatible with the Fund's investment objectives and strategies and will comply with applicable securities laws. For further information, see *Derivatives risk* on page 4.

The Fund may invest a portion of its net asset value in non-Canadian securities where such an investment is compatible with the investment objectives of the Fund. Although there is no specific limitation on the percentage of the net asset value of the Fund that may be invested in non-Canadian securities, as of the date of this Simplified Prospectus we do not expect that the Fund will invest more than 10% of its net asset value in non-Canadian securities.

We may invest up to 10% of the Fund's net asset value in units of other funds managed by RBC GAM. We will only invest in units of other funds where the investment is compatible with the investment objectives and strategies of the Fund and otherwise complies with applicable securities laws.

Phillips, Hager & North Small Float Fund

We may depart temporarily from the Fund's fundamental investment objectives as a result of adverse market, economic, political or other considerations. In these circumstances, we may, as a temporary defensive tactic, increase the Fund's holdings of cash or short-term money market securities.

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, as permitted by applicable securities laws, to earn additional income for the Fund. The Fund does not currently enter into these types of transactions, but for more information on how the Fund could engage in these types of transactions, see *How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions* on page 11.

What are the risks of investing in the Fund?

The principal risks associated with an investment in this Fund are as follows:

- market risk;
- small capitalization risk;
- currency risk;
- foreign investment risk;
- income trust risk;
- liquidity risk;
- derivatives risk;
- multiple series risk;
- securities lending, repurchase and reverse repurchase risk; and
- large investor risk.

As at May 30, 2014, one investor held 60.2% of the net asset value of the Fund. If an investor holds units representing a large portion of the outstanding units of the Fund, an investment in the Fund will involve large investor risk.

These and other risks which may also apply to the Fund are described in the section called *What are the risks of investing in a mutual fund?* on page 2.

Who should invest in this Fund?

This Fund may be right for you if:

- you are seeking exposure to small-capitalization, less-liquid Canadian growth companies within a Canadian equity portfolio; or
- you are planning to hold this investment for the long term and can tolerate medium to high investment risk.

The Fund is not intended as a stand-alone investment, but as a small component in a broadly diversified Canadian equity portfolio.

The Fund is primarily intended for use by institutions, corporations and high net worth individuals.

Distribution policy

All net income and net realized capital gains are distributed annually, in December, except for net income and net realized capital gains distributed periodically as management fee reimbursements.

Distributions from the Fund are automatically reinvested in units of the Fund unless you tell us in advance that you want to receive your distributions in cash. For more information about distributions, please see the section called *Distributions from the Funds* on page 31.

Fund expenses indirectly borne by investors

The table below shows the fees and expenses that would be indirectly borne by an investor with respect to a $1,000 investment in the Fund over the periods shown, based on the assumption that the Fund's annual performance is a constant 5% per year and the Fund's management expense ratio remains at 1.09% for Series A units and 0.00% for Series O units.

Similar information is shown in the descriptions of other mutual funds contained in this Simplified Prospectus. It allows you to compare the cost of investing in the Fund with the cost of investing in other funds.

Based on the above assumptions, your costs would be as shown in the table below. Your actual costs, of course, may be higher or lower.

	1 year	3 years	5 years	10 years
Series A	$11.17	$35.22	$61.74	$140.53
Series O	–	–	–	–

Phillips, Hager & North Canadian Equity Plus Pension Trust

Fund details

Type of fund	Canadian focused equity		
Date started	Series A – February 28, 1967		Series O – October 31, 2002
Type of securities	Series A and O trust units		
Eligibility	The Canadian Equity Plus Pension Trust is a qualified investment for RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs.		
Fees and expenses	See *Fees and expenses* on page 28 for more details.		
	Series	**Management fee[1]**	**Administration fee**
	Series A	0.50%	0.06%
	Series O	–	0.03%

[1] No management fees are charged to the Fund with respect to Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2%. Only certain investors qualify to purchase Series O units. See *Purchases, switches and redemptions* on page 24.

What does the Fund invest in?

Investment objectives

The fundamental investment objective of the Fund is to provide long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks which are qualified investments for registered Canadian pension plans. The Fund also holds a portion of its assets in foreign common stocks.

The fundamental investment objective of the Fund may only be changed with the approval of a majority of unitholders at a meeting called for that purpose. However, we may change the Fund's investment strategies described below, at our discretion.

Investment strategies

To achieve the Fund's investment objectives, we generally look for growth companies to invest in that have:

- superior management;
- industry leadership;
- a high level of profitability compared to their competitors;
- a sound financial position;
- strong earnings growth; and
- a reasonable valuation.

The Fund's investment strategies will be implemented without regard to the impact of greater trading activity or portfolio turnover which may result in less tax efficiency.

In addition to the standard investment restrictions imposed by securities legislation, the value of any one investment at month-end must not exceed 15% of the Fund's net assets at market value. This does not apply to government or government-guaranteed debt instruments or to investments in other funds managed by RBC GAM.

The Fund may use derivatives such as swaps, options, futures and forward contracts, as permitted by NI 81-102:

- for hedging purposes, including to protect against losses or reduce volatility resulting from changes in interest rates, market indices or foreign exchange rates including changes in the value of foreign currency relative to the Canadian dollar; and
- for non-hedging purposes, including as a substitute for direct investment or to generate income.

Any use of derivatives will be compatible with the Fund's investment objectives and strategies and will comply with applicable securities laws. For further information, see *Derivatives risk* on page 4.

The Fund may invest a portion of its net asset value in non-Canadian securities where such an investment is compatible with the investment objectives of the Fund. Although there is no specific limitation on the percentage of the net asset value of the Fund that may be invested in non-Canadian securities, as of the date of this Simplified Prospectus we do not expect that the Fund will invest more than 50% of its net asset value in non-Canadian securities.

We may from time to time invest a significant portion or even all of the Fund's net asset value in other funds managed by RBC GAM where we believe that an investment in other funds is a more efficient and cost effective way of achieving the Fund's objectives. We will only invest in units of other funds where the investment is compatible with the Fund's investment objectives and strategies, and otherwise complies with applicable securities laws.

The Fund has received exemptive relief to invest in German ETFs, as described under *Regulatory relief from investment restrictions* on page 10, subject to a limit of investing up to 10% of its net asset value in securities issued by a single German ETF and up to 20% of its net asset value in securities issued by German ETFs in aggregate.

We may depart temporarily from the Fund's fundamental investment objectives as a result of adverse market, economic, political or other considerations. In these circumstances, we may, as a temporary defensive tactic, increase the Fund's holdings of cash or short-term money market securities.

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, as permitted by applicable securities laws, to earn additional income for the Fund. The Fund does not currently enter into these types of transactions, but for more information on how the Fund could engage in these transactions see *How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions* on page 11.

What are the risks of investing in the Fund?

The principal risks associated with an investment in this Fund are as follows:

› market risk;

› currency risk;

› foreign investment risk;

› income trust risk;

› derivatives risk;

› multiple series risk;

› securities lending, repurchase and reverse repurchase risk; and

› large investor risk.

As at May 30, 2014, one investor held 77.1% of the net asset value of the Fund. If an investor holds units representing a large portion of the outstanding units of the Fund, an investment in the Fund will involve large investor risk.

During the 12-month period prior to May 30, 2014, up to 14.2% of the net asset value of the Fund was invested in units of the Small Float Fund. If the Fund concentrates its investments in a particular issuer or issuers, an investment in the Fund will involve concentration risk.

These and other risks which may also apply to the Fund are described in the section called *What are the risks of investing in a mutual fund?* on page 2.

Who should invest in this Fund?

This Fund may be right for you if you are planning to hold this investment for the long term and can tolerate medium investment risk.

This Fund is primarily intended for use by institutions, corporations and capital accumulation plans seeking a diversified portfolio that includes Canadian and foreign equity securities.

Distribution policy

All net income and net realized capital gains are distributed annually, in December, except for net income and net realized capital gains distributed periodically as management fee reimbursements.

Distributions from the Fund are automatically reinvested in units of the Fund unless you tell us in advance that you want to receive your distributions in cash. For more information about distributions, see the section called *Distributions from the Funds* on page 31.

Fund expenses indirectly borne by investors

The table below shows the fees and expenses that would be indirectly borne by an investor with respect to a $1,000 investment in the Fund over the periods shown, based on the assumption that the Fund's annual performance is a constant 5% per year and the Fund's management expense ratio remains at 0.62% for Series A units and 0.03% for Series O units.

Similar information is shown in the descriptions of other mutual funds contained in this Simplified Prospectus. It allows you to compare the cost of investing in the Fund with the cost of investing in other funds.

Based on the above assumptions, your costs would be as shown in the table below. Your actual costs, of course, may be higher or lower.

	1 year	3 years	5 years	10 years
Series A	$6.36	$20.03	$35.12	$79.93
Series O	$0.31	$0.97	$1.70	$3.87

Phillips, Hager & North Overseas Equity Pension Trust

Fund details

Type of fund	International equity		
Date started	Series O – October 31, 2002		
Type of securities[1]	Series O trust units		
Eligibility	The Overseas Equity Pension Trust is not a qualified investment for RRSPs, RRIFs, DPSPs, RESPs, RDSPs, or TFSAs.		
Sub-advisor	Sky Investment Counsel Inc. is our sub-advisor with respect to the Fund. For further information, see the heading *Portfolio Advisor and Sub-Advisor* under *Organization and management of the Funds* on page 7.		
Fees and expenses	See *Fees and expenses* on page 28 for more details.		
	Series	**Management fee[2]**	**Administration fee**
	Series O	–	0.08%

[1] Another series of units of the Fund exists, but is not offered under this Simplified Prospectus. The rights attached to this other series of units do not affect the rights attached to the series of units offered in this Simplified Prospectus.

[2] No management fees are charged to the Fund with respect to Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2%. Only certain investors qualify to purchase Series O units. See *Purchases, switches and redemptions* on page 24.

What does the Fund invest in?

Investment objectives

The fundamental investment objective of the Fund is to achieve long-term capital growth by investing primarily in a diversified portfolio of common stocks in companies in the world's largest industrialized countries outside North America, including countries in Europe and the Far East, including Japan and Australia.

The fundamental investment objective may only be changed with the approval of a majority of unitholders at a meeting called for that purpose. However, we may change the Fund's investment strategies described below, at our discretion.

Investment strategies

To achieve the Fund's investment objectives, we or our sub-advisor will generally invest in companies that are attractively valued and that have:

- superior management;
- industry leadership;
- a high level of profitability compared to their competitors;
- a sound financial position; and
- strong earnings growth.

The Fund's investment strategies will be implemented without regard to the impact of greater trading activity or portfolio turnover, which may result in less tax efficiency.

In addition to the standard investment restrictions imposed by securities legislation, the value of any one investment at month-end must not exceed 15% of the Fund's net assets at market value. This does not apply to government or government-guaranteed debt instruments.

The Fund may use derivatives such as swaps, options, futures and forward contracts, as permitted by NI 81-102:

- for hedging purposes, including to protect against losses or reduce volatility resulting from changes in interest rates, market indices or foreign exchange rates including changes in the value of foreign currency relative to the Canadian dollar; and
- for non-hedging purposes, including as a substitute for direct investment or to generate income.

Any use of derivatives will be compatible with the Fund's investment objectives and strategies and will comply with applicable securities laws. For further information, see *Derivatives risk* on page 4.

The Fund may invest up to 100% of its net asset value in foreign securities.

We may invest up to 10% of the Fund's net asset value in other funds managed by RBC GAM where we believe that an investment in other funds is a more efficient and cost effective way of achieving the Fund's investment objectives. We will only invest in units of other funds where the investment is compatible with the Fund's investment objectives and strategies, and otherwise complies with applicable securities laws.

The Fund's investment strategies involve active and frequent trading of portfolio securities. For more information about the portfolio turnover rate, please refer to that section on page 11.

Phillips, Hager & North Overseas Equity Pension Trust

The Fund has received exemptive relief to invest in German ETFs, as described under *Regulatory relief from investment restrictions* on page 10, subject to a limit of investing up to 10% of its net asset value in securities issued by a single German ETF and up to 20% of its net asset value in securities issued by German ETFs in aggregate.

We may depart temporarily from the Fund's fundamental investment objectives as a result of adverse market, economic, political or other considerations. In these circumstances, we may, as a temporary defensive tactic, increase the Fund's holdings of cash or short-term money market securities.

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, as permitted by applicable securities laws, to earn additional income for the Fund. For more information on how the Fund could engage in these types of transactions, see *How the Funds engage in securities lending transactions, repurchase transactions and reverse repurchase transactions* on page 11.

What are the risks of investing in the Fund?

The principal risks associated with an investment in this Fund are as follows:

- market risk;
- currency risk;
- foreign investment risk;
- derivatives risk;
- securities lending, repurchase and reverse repurchase risk; and
- large investor risk.

As at May 30, 2014, four investors held 19.1%, 16.3%, 15.6% and 13.3%, respectively, of the net asset value of the Fund. If an investor holds units representing a large portion of the outstanding units of the Fund, an investment in the Fund will involve large investor risk.

These and other risks which may also apply to the Fund are described in the section called *What are the risks of investing in a mutual fund?* on page 2.

Who should invest in this Fund?

This Fund may be right for you if you are planning to hold this investment for the long term, can tolerate medium investment risk and are seeking diversification outside of Canada.

This Fund is primarily intended for use by institutions and corporations seeking capital growth over the long term from equity investments outside North America.

Distribution policy

All net income and net realized capital gains are distributed annually, in December, except for net income and net realized capital gains distributed periodically as management fee reimbursements.

Distributions from the Fund are automatically reinvested in units of the Fund unless you tell us in advance that you want to receive your distributions in cash. For more information about distributions, see the section called *Distributions from the Funds* on page 31.

Fund expenses indirectly borne by investors

The table below shows the fees and expenses that would be indirectly borne by an investor with respect to a $1,000 investment in the Fund over the periods shown, based on the assumption that the Fund's annual performance is a constant 5% per year and the Fund's management expense ratio remains at 0.09% for Series O units.

Similar information is shown in the descriptions of other mutual funds contained in this Simplified Prospectus. It allows you to compare the cost of investing in the Fund with the cost of investing in other funds.

Based on the above assumptions, your costs would be as shown in the table below. Your actual costs, of course, may be higher or lower.

	1 year	3 years	5 years	10 years
Series O	$0.92	$2.91	$5.10	$11.60

Purchases, switches and redemptions

How the units are valued

Each Fund's units are divided into several series. Each series is divided into units of equal value. When you invest in a Fund, you are actually purchasing units of a specific series of the Fund.

All transactions are based on the series net asset value per unit ("unit value"). We determine the unit value at the close of trading on each valuation day. A valuation day is defined as any day that the Toronto Stock Exchange (the "TSX") is open for business, and/or any day or days as we determine, subject to compliance with applicable securities laws.

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

Here is how we calculate the unit value of each series of a Fund:

› We take the fair value of all the investments and other assets allocated to the series.

› We then subtract the liabilities allocated to that series. This gives us the net asset value for the series.

› We divide this amount by the total number of units of the series that investors in the Fund are holding. That gives us the unit value for the series.

To determine what your investment in a Fund is worth, simply multiply the unit value of the series of units you own by the number of units you own.

Although the purchases and redemptions of units are recorded on a series basis, the assets attributable to all of the series of a Fund are pooled to create one fund for investment purposes. Each series pays its proportionate share of fund costs in addition to its management fee and administration fee. The difference in fund costs, management fees and administration fees between each series means that each series has a different net asset value per unit.

You can get the net asset value of a Fund or the net asset value per unit for a series of a Fund, at no cost, by calling us toll-free at 1-888-880-5588, or by sending an email to *institutions@phn.com*.

How to buy, redeem and switch

Each Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. Not all dealers make all series available to investors.

Series A units

Series A units are available to all investors and may be purchased, switched or redeemed through us or authorized dealers. The Funds pay management fees to us with respect to Series A units. As of the date of this Simplified Prospectus, Series A units of the Canadian Equity Pension Trust and the Overseas Equity Pension Trust are not available to investors.

Series O units

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

It is up to you and your advisor to determine which series is appropriate for you. Your choice of series may require you to pay different fees. For more details see *Dealer compensation* on page 31 and *Fees and expenses* on page 28.

All Series

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

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

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

There are no charges for opening an account or buying units of the Funds directly through Phillips, Hager & North Investment Funds Ltd., or us. If you buy units of the Funds through another registered dealer, that dealer may charge you a fee for buying your units. These fees are negotiated between you and your dealer.

In certain circumstances, you may make arrangements to buy, switch or redeem units by telephone. In the event this service is set up, you may place your orders with Phillips, Hager & North Investment Funds Ltd., or in certain circumstances through us by telephone. For security reasons, telephone orders are recorded. Under certain circumstances, you may place transaction requests with Phillips, Hager & North Investment Funds Ltd. via its website at *www.phn.com*. In order to use this service, you must accept the website terms of use and Internet Access Agreement.

The Funds are primarily intended for use by institutions, corporations and, in certain circumstances, high net worth individuals.

When you buy units of a Fund through us or Phillips, Hager & North Investment Funds Ltd., you have to include full payment for your units with your order. If you buy units of a Fund through another registered dealer, your dealer must send full payment within three business days of the date they send in your order. Your dealer is responsible for sending in your order the same day that the dealer receives it from you.

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

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

Short-term trading

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

Some investors may seek to trade Fund units frequently in an effort to benefit from differences between the value of a Fund's units and the value of the underlying securities (market timing). These activities, if undertaken by unitholders, can negatively impact the value of the Fund to the detriment of other unitholders. They may also increase a Fund's transaction costs. Excessive short-term trading can also reduce a Fund's return because the Fund may be forced to hold additional cash to pay redemption proceeds or, alternatively, to sell portfolio holdings, thereby incurring additional trading costs.

Depending on the Fund and the particular circumstances, we will employ a combination of preventative and detective measures to discourage and identify excessive short-term trading in funds managed by RBC GAM, including:

› fair value pricing of securities held by a Fund;

› imposition of short-term trading fees; and

› monitoring of trading activity and refusal of trades.

Fair value pricing

The TSX closes at 4:00 p.m. Eastern Time. We use the market value for securities as of 4:00 p.m. Eastern Time to price the North American securities held in the Funds' portfolios. However, the trading hours for most foreign (i.e. non-North American) securities end prior to the 4:00 p.m. Eastern Time close of the TSX. For example, the most recent closing price for a security which trades primarily in Asian markets may be as much as 15 hours old by 4:00 p.m. Eastern Time. Therefore, we have procedures in place to fair value foreign securities traded in countries outside North America on a daily basis, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. Accordingly, the value calculated on fair valued securities for purposes of calculating a Fund's net asset value may differ from that security's most recent closing market price. As a means of evaluating our fair value process, we will routinely compare closing market prices, the next day's opening prices in the same markets and adjusted fair value prices. These procedures are designed to minimize the potential for market timing strategies, which are largely focused on Funds with significant holdings of foreign securities. They may also be used in respect of foreign securities held by an underlying fund in which a Fund may invest, indirectly affecting the net asset value of the Fund.

Short-term trading fee

A fee of 2% of the amount redeemed or switched may be charged if you invest in units of a Fund for a seven-day period or less.

Short-term trading fees are designed to deter excessive trading and offset its associated costs and are paid to the Fund, not to us. See *Fees and expenses* on page 28.

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

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

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

Monitoring of trading activity

RBC GAM regularly monitors transactions in all of the Funds. RBC GAM has established criteria for each Fund that is applied fairly and consistently in an effort to eliminate trading activity that RBC GAM deems potentially detrimental to long-term unitholders. RBC GAM has the right to restrict or reject any purchase or switch order without any prior notice, including transactions accepted by your dealer.

Generally speaking, your trading may be considered excessive if you sell or switch your units of a Fund within 90 days of buying them on more than one occasion.

RBC GAM has the right to consider trading activity in multiple accounts under common ownership, control or influence as trading in a single account when exercising our right to reject a purchase or switch. **Whether your trading is considered excessive will be determined in our sole discretion.**

Purchases

Series A and Series O units are no load, which means you can buy, redeem or switch Series A and Series O units of a Fund through certain dealers without paying a commission. *See Fees and expenses* on page 28 and *Dealer compensation* on page 31 for more information.

We may limit or "cap" the size of a Fund by restricting new purchases, including units bought through switches. We will continue to permit redemptions and the calculation of the Fund's unit value for each series. We may subsequently decide to start accepting new purchases or switches to that Fund at any time.

Switching between Funds

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

The same rules for buying and redeeming units of the Funds apply to switches.

Once we receive your order to switch, we will redeem your units in the Fund from which you are switching and use the proceeds to buy units of the other Fund to which you are switching.

There are no fees for switching units of a Fund or switching into or out of units of a Fund, other than short-term trading fees (please refer to the heading *Short-term trading fee* on page 26). **These switches will constitute a disposition and may result in capital gain or loss for income tax purposes. You are responsible for tracking and reporting to the Canada Revenue Agency ("CRA") any capital gain or loss that you realize. For information about income tax considerations, please see *Income tax considerations for investors* on page 31.**

We may suspend or restrict your switching privileges if you switch between Funds too often.

Redesignation

A switch between series of units of a Fund is called a "redesignation." With our prior approval, you can redesignate from one series of units of a Fund to another series of units of the same Fund, as long as you are eligible to hold that series of units. If you are no longer eligible to hold a series of units, we will switch you out of that series to another series of units of the same Fund, as appropriate.

We do not charge any fees to switch between series of the same Fund. Switching units of one series to units of another series of the same Fund is not considered a disposition for tax purposes.

Redemptions

With the exception of the short-term trading fee (please refer to the heading *Short-term trading fee* on page 26), there are no charges for redeeming units of the Funds directly through us or Phillips, Hager & North Investment Funds Ltd. If you redeem units of the Funds through another registered dealer, that dealer may charge you a fee for redeeming your units.

When you redeem units of a Fund, we will send you your money within three business days of the valuation day on which the order to redeem units was received, if:

› instructions necessary to complete the transaction have been received; and

› any payment for buying the same units that you are redeeming has cleared.

However, you may receive the money later due to mail delays.

If you place an order to redeem or switch your units through another registered dealer, that dealer is responsible for sending in your order the same day that they receive it from you. Your units will be redeemed on the valuation day the order is received by us from your dealer. Once the instructions necessary to complete the transaction are received by us from your dealer, your money will be released to you. If these instructions are not received within 10 business days of the redemption, the units you redeemed will be bought back on the next valuation date. If they are bought back for less than you redeemed them for, the Fund keeps the difference. If they are bought back for more than you redeemed them for, your dealer will be charged for the difference plus any costs. Your dealer may, in turn, charge you for these amounts.

When you may not be allowed to redeem your units

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

› normal trading is suspended on any stock exchange on which securities or derivatives that make up more than half of the Fund's total assets by value are traded; or

› we have permission from the applicable securities regulatory authority.

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

Fees and expenses

A brief description of the fees and expenses that you may have to pay if you invest in the Funds is set out in the table below. You may have to pay some of these fees and expenses directly. The Funds may pay some of these fees and expenses, which will therefore reduce the value of your investment in the Funds.

FEES AND EXPENSES PAYABLE BY THE FUNDS

Management fees	Each Fund pays an annual fee to RBC GAM with respect to Series A units issued by the Fund for RBC GAM's services as manager of the Fund. RBC GAM, in its capacity as manager of each Fund, manages the day-to-day business of each Fund. RBC GAM acts as principal portfolio advisor of each Fund, managing the investment portfolios of each Fund, either directly or through sub-advisors. This management fee, which is listed under the heading *Fund details* at the beginning of each Fund description, is different for each series of units of each Fund, and is subject to applicable taxes, including goods and services tax ("GST")/harmonized sales tax ("HST"). The Funds do not pay a management fee with respect to Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2% for investment services provided pursuant to an agreement between the investor and RBC GAM, and will be subject to applicable taxes including GST/HST. RBC GAM may reduce the management fee borne by Series A investors who have made substantial investments in the Funds. RBC GAM may decide to do this for a number of reasons, including the value of the assets RBC GAM manages for the investor and its relationship with the investor. RBC GAM calculates the amount of the reduction using a sliding scale based on the value of the investor's assets that it manages. The amount of the reimbursement is not negotiable. It is determined by RBC GAM, at its discretion. The amount of reduction is paid to the applicable investors as a special distribution from the Fund (a "management fee distribution"), and is automatically reinvested in additional units. Management fee distributions are paid first out of net income and net realized capital gains, and thereafter as a return of capital. Return of capital represents a return to the investor of a portion of their own invested capital. Unitholders will be provided with written notice of any change to these fees (and any other fee charged to a Fund) that could result in an increase in charges to a Fund at least 60 days before the change becomes effective.
Operating expenses	We pay 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. In return, each Fund pays us a fixed administration fee. The administration fee may vary by series of units and by Fund. Such fees are listed under the heading *Fund details* at the beginning of each Fund description, and are subject to applicable taxes, including GST/HST. The amount of operating expenses paid by us in exchange for the payment of the administration fee may exceed or be less than the administration fee in any particular period.

Each Fund will continue to pay certain operating expenses directly, including the costs and expenses related to the Board of Governors, the cost of any government or regulatory requirements introduced after July 1, 2009 and any borrowing costs (collectively, "other fund costs") and taxes (including GST/HST as applicable).

Unitholders will be provided with written notice at least 60 days before the basis of calculating any of these expenses (or any other expense charged to a Fund) is changed in any other way that could result in an increase in charges to a Fund.

We may, in some years and in certain cases, pay a portion of a series' administration fee or other Fund costs. The decision to absorb the administration fee or other Fund costs is reviewed annually and determined at our discretion without notice to unitholders.

The Funds may invest in units of other funds managed by RBC GAM or an affiliate. These other funds have their own fees and expenses to pay in addition to those paid by any Funds that invest in them. However, a Fund will not invest in units of another fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the other fund for the same service. In addition, a Fund will not invest in another fund managed by RBC GAM if any sales or redemption fees are payable in respect of the investment or invest in any other fund if the Fund would be required to pay any sales or redemption fees in respect of the investment that a reasonable person would believe duplicates a fee payable by unitholders.

Harmonized Sales Tax on Management Expense Ratio

Effective July 1, 2010, the provinces of Ontario and British Columbia harmonized the provincial sales tax with the GST, resulting in an HST. Effective January 1, 2013, Quebec harmonized the provincial sales tax with the GST, resulting in a GST/QST. Effective April 1, 2013, British Columbia returned to the provincial sales tax and the GST and Prince Edward Island harmonized the provincial sales tax with the GST, resulting in an HST. HST has been applicable in Nova Scotia, New Brunswick and Newfoundland and Labrador since 1997. A Fund is generally required to pay HST of up to 15% on management fees and administration fees charged to the Fund. In general, the HST rate depends on the residence of a Fund's unitholders. If all of a Fund's unitholders were resident in Ontario, the rate of HST levied would be 13%. Changes in existing HST rates, the adoption of HST by additional provinces and changes in the breakdown of the residence of the Fund's unitholders may therefore have an impact on the management expense ratio of a Fund, year over year.

Board of Governors

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

Each member of the Board of Governors is entitled to receive an annual fee of $25,000 ($35,000 for the Chair) and $3,500 per meeting of the Board of Governors. Each member

	that sits on a subcommittee of the Board of Governors is entitled to receive an additional meeting fee with respect to these committee meetings. For the Governance Committee, each member is entitled to receive a meeting fee of $2,500 and the Chair of this committee is also entitled to receive an annual fee of $5,000. For the Financial Advisory Committee, each member is entitled to receive a meeting fee of $3,000 and the Chair of this committee is also entitled to receive an annual fee of $5,000. Each member of the Investment Conflicts Committee is entitled to receive a meeting fee of $4,000 and the Chair of this committee is also entitled to receive an annual fee of $5,000. Each member of the Board of Governors will also be reimbursed for expenses in connection with performing his or her duties in this regard. These fees and expenses are allocated among the funds managed by RBC GAM in a manner that is fair and reasonable. The administration fee and operating expenses borne directly by a Fund will be included in the management expense ratio of a Fund.

FEES AND EXPENSES PAYABLE DIRECTLY BY YOU

Sales charges	The Series A and Series O units of the Funds are "no load," which means you can buy, redeem or switch units of these series through Phillips, Hager & North Investment Funds Ltd., us and certain dealers, without paying any sales charge or commissions.
Switch fees	There is no fee payable to us for redesignating your units from one series to another series of the same Fund or from switching from one Fund to another Fund. RBC GAM may charge a short-term trading fee if you switch your units within seven days of buying them. Please see *Short-term trading fee* on page 26 of this Simplified Prospectus.
Redemption fees	You pay no sales charge when you redeem Series A or Series O units of a Fund. RBC GAM may charge a short-term trading fee if you redeem your units within seven days of buying them. Please see *Short-term trading fee* on page 26 of this Simplified Prospectus.
Short-term trading fee	We may impose a short-term trading fee of up to 2% of the current value of the units if you redeem or switch out units within seven days of purchasing or previously switching into a Fund. Please see *Short-term trading fee* on page 26 of this Simplified Prospectus.
Other fees and expenses	Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2%.

Impact of sales charges

The Funds are "no load," which means you pay no sales charges or commissions when you buy and redeem units of the Funds through us. You also pay no account set-up or administration fees, and you may transfer your units from one Fund to another at no administrative cost.

Although you pay no sales charges or commissions when you buy and redeem units of the Funds through Phillips, Hager & North, securities regulators require the inclusion of the following table to allow you to easily compare our Funds to other mutual funds. The table is intended to show the amount of fees that you would have to pay under different purchase options if you made an investment of $1,000 in a Fund, if you held that investment for one, three, five or ten years, and if you sold your units immediately before the end of each of these time periods:

	Redemption fee at time of purchase	Redemption fee before end of: 1 year	3 years	5 years	10 years
Sales charge option[1]	Nil	Nil	Nil	Nil	Nil
Redemption charge option[1]	Nil	Nil	Nil	Nil	Nil
No-load option[2]	$0	$0	$0	$0	$0

1 There is no sales charge option or redemption charge option when you buy units of the Fund through us.

2 This is the only purchase option when you buy units through us.

Dealer compensation

How your investment professional and dealer are paid

Your investment professional is usually the person through whom you purchase the Funds. Your investment professional could be a broker, financial planner or advisor who is registered to sell mutual funds. Your dealer is the firm for which your investment professional works

Other forms of dealer support

RBC GAM and its affiliates may participate in co-operative advertising programs with dealers to help them market the Funds. Such activities will be in accordance with the rules set out in National Instrument 81-105 – *Mutual Fund Sales Practices*.

Royal Bank owns, directly or indirectly, 100% of RBC GAM, Royal Mutual Funds Inc., RBC Dominion Securities Inc., RBC Direct Investing Inc. and Phillips, Hager & North Investment Funds Ltd., which are principal distributors and/or participating dealers in respect of certain series of units of the Funds.

Dealer compensation from management fees

None of the total management fees paid by the Funds in respect of all the series of the Funds were used to pay for dealer commissions, or were paid to dealers for other marketing, promotional or educational activities in RBC GAM's financial year ended October 31, 2013.

Dealers include investment professionals such as independent brokers, dealers and mutual fund specialists. None of the Funds pay dealers any commissions, sales charges or service fees, or provide or pay for any sales or advertising support to dealers.

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

Income tax considerations for investors

This section is a general summary of how your investments in the Funds are taxed. It applies to individual investors who are residents of Canada and hold their units in a non-registered account as capital property, or in a Registered Retirement Savings Plan ("RRSP"), Registered Retirement Income Fund ("RRIF"), Deferred Profit Sharing Plan ("DPSP"), Registered Education Savings Plan ("RESP"), Registered Disability Savings Plan ("RDSP") or a Tax-Free Savings Account ("TFSA") (collectively, "registered plans"). **Please consult with a tax advisor about your own circumstances.**

Distributions from the Funds

The Funds may earn dividend, interest or other income from the investments in their portfolios. They may also realize income or capital gains when they sell investments at a profit. Gains from derivatives, other than derivatives used in some circumstances for hedging purposes, are generally treated as income rather than capital gains.

Each Fund pays out its net income and a sufficient portion of its net realized capital gains to investors, so that the Fund does not have to pay ordinary income taxes. These payments are called "distributions." The portion of the regular distributions payable to unitholders of each series is determined based on a number of factors. Regular distributions payable to unitholders of a series are divided equally among all the units of the series. As an investor, you are entitled to your share of these distributions. Net income and/or net realized capital gains may also be distributed as management fee distributions. Certain Funds may make distributions (including management fee distributions) that are, wholly or partly, a return of capital. Return of capital represents a return to the investor of a portion of their own invested capital.

We will reinvest your distributions to buy additional units of the Fund, unless you tell us in advance that you want to receive your distributions in cash.

Units held in non-registered accounts

If you hold your units in a non-registered account, you have to report the distributions you receive from the Funds (other than returns of capital) on your income tax return.

Generally, distributions of Canadian dividends, capital gains and foreign source income will retain their character, and be taxed as if you earned them directly.

If you receive distributions from a Fund that are in excess of your share of that Fund's net income and net realized capital gains, the excess will be treated as a return of capital. Return of capital represents a return to the investor of a portion of their own invested capital. You don't pay tax on a return of capital. Instead, it reduces the adjusted cost base ("ACB") of your units. If the ACB of your units is reduced to less than zero, you will be deemed to realize a capital gain equal to the negative amount and your ACB will be reset to nil.

You will be sent a tax slip each year that shows your share of the Funds' distributions of income and capital gains.

When you invest in a Fund, the unit price may include accrued income and/or realized capital gains which have not been distributed. You will have to include your share of a distribution of those amounts on your income tax return, even though the amounts were reflected in the purchase price for your units. Similarly, unrealized capital gains at the time you buy your units will be taxable if they are realized and distributed to you. This consideration may be particularly important if you invest in an equity fund late in the year.

The higher a Fund's portfolio turnover rate, the more frequently it realizes taxable capital gains and losses. This can result in investors receiving larger capital gains distributions than investors in a Fund with a lower portfolio turnover rate. There is an explanation of portfolio turnover rate under that heading on page 11.

You will have a capital gain if you redeem any units (including a redemption to switch Funds) for more than the ACB of the units plus your costs to redeem the units. You will have a capital loss if you redeem the units for less than their ACB plus your costs to redeem the units. The redemption amount used to compute a capital gain or loss is net of the short-term trading fee, if applicable. On your tax return, one half of a capital gain generally is included in your income, and one half of a capital loss generally may be offset against the taxable portion of any capital gains you realize.

The ACB of a unit is equal to the average ACB of all your identical units of the Fund. Generally, the aggregate ACB of all your identical units is equal to the total cost of units you have bought to that time (including units purchased by reinvesting distributions) minus the return of capital component of distributions and the ACB of units previously redeemed.

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

Switching between Funds and series

For tax purposes, switching units of a Fund is considered to be the same as redeeming units for cash, even though you actually reinvested the money in units of another Fund. The same tax rules apply for switching between Funds, as for redeeming your units. However, switching units of one series to units of another series of the same Fund is not a disposition for tax purposes and no capital gain or loss will be realized provided that the switch is effected as a redesignation. The ACB of the units that were switched will be transferred to the units of the other series acquired on the switch.

Units held in registered plans

If you hold your units in a registered plan (other than units of the Overseas Equity Pension Trust, which are not qualified investments for a registered plan), the plan generally does not have to pay any taxes on income or capital gains. You generally do not have to pay taxes on these amounts until you withdraw your money from the plan. Any amount you withdraw from a registered plan (other than an RESP, RDSP or TFSA) is fully taxable. Any amount withdrawn from an RESP or RDSP is generally taxable to the extent it is not a refund of contributions. Amounts withdrawn from a TFSA are not taxable.

Tax information

Pursuant to the recent Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the United States (the "IGA"), and related proposed Canadian legislation, the Funds and the manager are required to report certain information with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans such as RRSPs), to the CRA. The CRA will then exchange the information with the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Income Tax Treaty.

What are your legal rights?

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the Simplified Prospectus or Fund Facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the Simplified Prospectus, Annual Information Form, Fund Facts or financial statements misrepresent any facts about the fund. These rights must usually be exercised within certain time limits.

For more information, please refer to the securities legislation of your province or territory, or consult your lawyer.

Phillips, Hager & North® investment funds

Additional information about each Fund is available in the Annual Information Form, the Fund Facts, the management reports of fund performance and the financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they are legally part of this document, just as if they were printed as part of it. You can get a copy of these documents at no cost by calling us toll-free at 1-888-880-5588, by contacting us at any of the addresses below or by contacting another dealer who sells our Funds. Copies of these documents are also available at *www.rbcgam.com*.

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

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

Phillips, Hager & North Investment Management*
Main Operating Office
20th Floor, 200 Burrard Street
Vancouver, British Columbia
V6C 3N5

Tel: 1-888-880-5588
Fax: 1-800-666-9899
Email: institutions@phn.com

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