

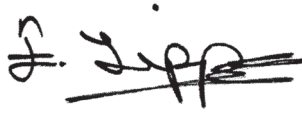
The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the RBC GAM Investment Funds (the "Funds") and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within the financial statements.

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

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



Damon G. Williams, FSA, FCIA, CFA
Chief Executive Officer
RBC Global Asset Management Inc.
March 8, 2017



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

To the Unitholders of:

RBC FUNDS & RBC PRIVATE POOLS

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

RBC QUBE Low Volatility Canadian Equity Fund
 RBC Trend Canadian Equity Fund
 RBC Jantzi Canadian Equity Fund
 RBC Canadian Index Fund
 RBC O'Shaughnessy Canadian Equity Fund
 RBC O'Shaughnessy All-Canadian Equity Fund
 RBC Canadian Equity Income Fund
 RBC Canadian Small & Mid-Cap Resources Fund
 RBC North American Value Fund
 RBC North American Growth Fund
 RBC U.S. Dividend Fund
 RBC U.S. Dividend Currency Neutral Fund
 RBC U.S. Equity Fund
 RBC U.S. Equity Currency Neutral Fund
 RBC QUBE U.S. Equity Fund
 RBC QUBE Low Volatility U.S. Equity Fund
 RBC QUBE Low Volatility U.S. Equity Currency Neutral Fund
 RBC U.S. Equity Value Fund
 RBC U.S. Index Fund
 RBC U.S. Index Currency Neutral Fund
 RBC O'Shaughnessy U.S. Value Fund
 RBC U.S. Mid-Cap Growth Equity Fund
 (formerly, RBC U.S. Mid-Cap Equity Fund)
 RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund
 (formerly, RBC U.S. Mid-Cap Equity Currency Neutral Fund)
 RBC U.S. Mid-Cap Value Equity Fund
 RBC U.S. Small-Cap Core Equity Fund
 RBC U.S. Small-Cap Value Equity Fund
 RBC O'Shaughnessy U.S. Growth Fund
 RBC O'Shaughnessy U.S. Growth Fund II
 RBC Life Science and Technology Fund
 RBC International Dividend Growth Fund
 RBC International Equity Fund
 RBC International Equity Currency Neutral Fund
 RBC International Index Currency Neutral Fund
 RBC O'Shaughnessy International Equity Fund
 RBC European Dividend Fund
 RBC European Equity Fund
 RBC European Mid-Cap Equity Fund
 RBC Asian Equity Fund
 RBC Asia Pacific ex-Japan Equity Fund
 RBC Japanese Equity Fund
 RBC Emerging Markets Multi-Strategy Equity Fund
 RBC Emerging Markets Dividend Fund
 RBC Emerging Markets Equity Fund
 RBC Emerging Markets Small-Cap Equity Fund
 RBC Global Dividend Growth Fund
 RBC Global Dividend Growth Currency Neutral Fund
 RBC Global Equity Fund
 RBC Global Equity Focus Fund
 RBC QUBE Global Equity Fund
 RBC QUBE Low Volatility Global Equity Fund
 RBC Jantzi Global Equity Fund
 RBC O'Shaughnessy Global Equity Fund
 RBC QUBE All Country World Equity Fund
 RBC QUBE Low Volatility All Country World Equity Fund
 RBC Global Energy Fund
 RBC Global Precious Metals Fund
 RBC Global Resources Fund
 RBC Global Technology Fund
 RBC Private Short-Term Income Pool
 RBC Private Canadian Corporate Bond Pool
 RBC Private Income Pool

RBC Private Canadian Dividend Pool
 RBC Private Canadian Growth and Income Equity Pool
 RBC Private Canadian Equity Pool
 RBC Private Canadian Growth Equity Pool
 RBC Private Canadian Mid-Cap Equity Pool
 RBC Private U.S. Large-Cap Value Equity Pool
 RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool
 RBC Private U.S. Growth Equity Pool
 RBC Private U.S. Large-Cap Core Equity Pool
 RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool
 RBC Private U.S. Small-Cap Equity Pool
 RBC Private EAFE Equity Pool
 RBC Private Overseas Equity Pool
 RBC Private World Equity Pool

PHILLIPS, HAGER & NORTH INVESTMENT FUNDS

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

(collectively referred to as the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of financial position as at December 31, 2016 and the statements of comprehensive income, cash flows and changes in net assets attributable to holders of redeemable units for the periods indicated in note 2, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements of each of the Funds based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2016 and the financial performance and cash flows of each of the Funds for the periods indicated in note 2, in accordance with International Financial Reporting Standards.

Other matter

The financial statements of each of the Funds as at December 31, 2015 and for the periods indicated in note 2, as applicable, were audited by another auditor who expressed an unmodified opinion on those statements on March 4, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 8, 2017



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
RBC CANADIAN INDEX FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
55 883	Aimia Inc.	\$ 835	\$ 496	
38 600	Amaya Inc.	1 275	734	
11 400	BRP Inc.	340	323	
23 900	Canadian Tire Corp. Ltd., Class A	1 052	3 329	
22 100	Cineplex Inc.	360	1 132	
8 110	Cogeco Communications Inc.	313	537	
37 100	Corus Entertainment Inc., Class B	634	467	
47 600	DHX Media Ltd.	446	336	
37 700	Dollarama Inc.	598	3 709	
9 500	Dorel Industries, Class B	290	369	
37 500	EnerCare Inc.	551	669	
82 612	Gildan Activewear Inc., Class A	731	2 816	
16 200	Great Canadian Gaming Corp.	323	405	
37 000	Hudson's Bay Co.	675	488	
16 500	Linamar Corp.	303	952	
129 084	Magna International Inc., Class A	2 477	7 526	
30 799	Martinrea International Inc.	266	265	
30 100	Quebecor Inc., Class B	583	1 123	
83 456	Restaurant Brands International Inc.	3 534	5 337	
143 101	Shaw Communications Inc., Class B	2 616	3 855	
12 100	Sleep Country Canada Holdings Inc.	378	348	
25 600	The Intertain Group Ltd.	473	240	
14 600	Uni-Select Inc.	407	431	
		19 460	35 887	5.0
Consumer Staples				
149 200	Alimentation Couche-Tard Inc.	1 203	9 083	
48 677	Cott Corporation	535	740	
56 200	Empire Co. Ltd., Class A	1 037	883	
17 000	George Weston Ltd.	1 063	1 931	
28 700	Jean Coutu Group, Class A	327	600	
74 141	Loblaw Companies Ltd.	3 305	5 252	
30 300	Maple Leaf Foods Inc.	399	852	
81 982	Metro Inc., Class A	722	3 292	
8 800	Premium Brands Holdings Corp.	457	607	
76 900	Saputo Group Inc.	846	3 654	
17 000	The North West Co. Inc.	296	468	
		10 190	27 362	3.8
Energy				
65 116	Advantage Oil & Gas Ltd.	871	594	
58 600	AltaGas Ltd.	1 708	1 987	
124 835	ARC Resources Ltd.	2 879	2 885	
78 000	Baytex Energy Corp.	2 144	513	
77 500	Birchcliff Energy Ltd.	808	727	
84 700	Bonavista Energy Corp.	1 819	408	
8 900	Bonterra Energy Corp.	506	259	
139 896	Cameco Corp.	1 999	1 964	
83 000	Canadian Energy Services & Technology Corp.	494	636	
392 438	Canadian Natural Resources Ltd.	7 568	16 792	
297 443	Cenovus Energy Inc.	5 647	6 038	

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
190 861	Crescent Point Energy Corp.	\$ 6 008	\$ 3 483	
53 700	Crew Energy Inc.	655	403	
332 087	Enbridge Inc.	6 902	18 763	
35 062	Enbridge Income Fund Holdings Inc.	957	1 219	
341 962	Encana Corp.	6 181	5 389	
32 325	Enerflex Ltd.	297	551	
86 755	Enerplus Corp.	3 190	1 105	
42 900	Ensign Energy Services Inc.	425	402	
33 800	Freehold Royalties Ltd.	601	479	
51 000	Gibson Energy Inc.	1 065	968	
120 600	Gran Tierra Energy Inc.	707	490	
105 702	Husky Energy Inc.	1 785	1 722	
90 500	Imperial Oil Ltd.	2 444	4 227	
126 800	Inter Pipeline Ltd.	1 734	3 758	
49 300	Kelt Exploration Ltd.	527	334	
65 906	Keyera Corp.	974	2 667	
55 800	MEG Energy Corp.	2 616	515	
36 100	Mullen Group Ltd.	844	716	
57 400	Nuvista Energy Ltd.	412	398	
52 900	Parex Resources Inc.	630	894	
33 100	Parkland Fuel Corp.	538	931	
26 600	Pason Systems Inc.	317	522	
138 867	Pembina Pipeline Corp.	3 350	5 827	
57 900	Peyto Exploration & Development Corp.	1 293	1 923	
72 158	PrairieSky Royalty Ltd.	2 159	2 305	
102 100	Precision Drilling Corp.	1 456	747	
76 900	Raging River Exploration Inc.	597	812	
58 500	Secure Energy Services Inc.	618	685	
88 200	Seven Generations Energy Ltd.	1 826	2 762	
22 891	ShawCor Ltd.	368	820	
108 000	Spartan Energy Corp.	347	360	
589 462	Suncor Energy Inc.	13 742	25 877	
81 400	Surge Energy Inc.	575	269	
47 100	TORC Oil & Gas Ltd.	536	390	
86 800	Tourmaline Oil Corp.	2 900	3 117	
305 973	TransCanada Corp.	10 493	18 524	
112 300	Veresen Inc.	1 493	1 472	
41 381	Vermilion Energy Inc.	1 569	2 338	
130 250	Whitecap Resources Inc.	1 449	1 584	
		111 023	152 551	21.3
Financials				
12 700	Alaris Royalty Corp.	415	304	
229 241	Bank of Montreal	10 177	22 138	
428 486	Bank of Nova Scotia	15 352	32 034	
307 406	Brookfield Asset Management Inc., Class A	4 273	13 618	
140 641	Canadian Imperial Bank of Commerce	8 056	15 409	
31 900	Canadian Western Bank	401	968	
96 600	CI Financial Corp.	2 304	2 789	
137 100	Element Fleet Management Corp.	1 512	1 708	

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



December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
8 168	Fairfax Financial Holdings Ltd.	\$ 2 831	\$ 5 297	
13 523	Genworth MI Canada Inc.	350	455	
99 124	Great-West Lifeco Inc.	2 124	3 486	
21 900	Home Capital Group Inc.	363	686	
28 920	IGM Financial Inc.	664	1 105	
36 300	Industrial Alliance Insurance & Financial Services Inc.	856	1 938	
46 661	Intact Financial Corp.	1 940	4 484	
10 600	Laurentian Bank of Canada	261	612	
698 294	Manulife Financial Corporation	14 393	16 696	
120 566	National Bank of Canada	2 165	6 574	
29 376	Onex Corporation	772	2 684	
129 800	Power Corporation of Canada	2 625	3 900	
86 300	Power Financial Corp.	1 665	2 896	
526 014	Royal Bank of Canada*	20 358	47 799	
217 796	Sun Life Financial Inc.	6 871	11 227	
101 200	Thomson Corp.	4 090	5 947	
10 100	TMX Group Ltd.	391	722	
657 788	Toronto-Dominion Bank	18 321	43 559	
		<u>123 530</u>	<u>249 035</u>	34.8
Health Care				
66 600	Chartwell Retirement Residences Real Estate Investment Trust	538	976	
32 100	Extencicare Inc.	243	317	
33 900	Knight Therapeutics Inc.	339	364	
211 600	Prometic Life Sciences Inc.	566	472	
107 065	Valeant Pharmaceuticals International Inc.	6 046	2 085	
		<u>7 732</u>	<u>4 214</u>	0.6
Industrials				
19 800	Aecon Group Inc.	352	302	
96 200	Air Canada	317	1 315	
27 300	ATS Automation Tooling Systems	374	342	
12 700	Badger Daylighting Ltd.	364	408	
690 815	Bombardier Inc., Class B	6 415	1 492	
6 400	Boyd Group Income Fund	399	548	
6 266	Brookfield Business Partners LP	214	202	
95 300	CAE Inc.	684	1 790	
271 500	Canadian National Railway Co.	5 675	24 533	
51 750	Canadian Pacific Railway Ltd.	2 925	9 913	
8 700	Exchange Income Corp.	366	363	
59 300	Finning International Inc.	637	1 559	
13 208	MacDonald Dettwiler & Associates Ltd.	458	883	
18 300	Morneau Shepell Inc.	340	351	
14 800	New Flyer Industries Inc.	419	604	
37 900	Ritchie Bros. Auctioneers Inc.	846	1 726	
22 200	Russel Metals Inc.	337	568	
53 000	SNC-Lavalin Group Inc.	941	3 063	
41 100	Stantec Inc.	671	1 394	
31 084	TFI International Inc.	392	1 085	
28 225	Toromont Industries Ltd.	413	1 195	
23 800	Transcontinental Inc., Class A	256	528	

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials (cont.)				
62 593	Waste Connections Inc.	\$ 4 656	\$ 6 594	
41 475	WestJet Airlines Ltd.	551	956	
19 400	Westshore Terminals Investment Corp.	275	502	
23 100	WSP Global Inc.	663	1 032	
		<u>29 940</u>	<u>63 248</u>	8.8
Information Technology				
167 863	Blackberry Ltd.	6 470	1 551	
45 682	Celestica Inc.	780	727	
96 632	CGI Group Inc., Class A	1 685	6 227	
28 000	Computer Modelling Group Ltd.	354	255	
7 000	Constellation Software Inc.	1 098	4 271	
27 300	Descartes Systems Group Inc.	391	782	
39 000	DH Corp.	957	869	
6 500	Enghouse Systems Ltd.	357	364	
8 100	Kinaxis Inc.	386	506	
29 800	Mitel Networks Corp.	338	272	
43 300	Open Text Corp.	776	3 590	
11 700	Sierra Wireless Inc.	576	246	
		<u>14 168</u>	<u>19 660</u>	2.7
Materials				
80 289	Agnico Eagle Mines Ltd.	2 897	4 532	
49 304	Agrium Inc.	1 936	6 654	
106 307	Alacer Gold Corp.	770	238	
96 131	Alamos Gold Inc., Class A	777	890	
68 100	Asanko Gold Inc.	364	281	
332 300	B2Gold Corp.	1 018	1 060	
413 929	Barrick Gold Corp.	12 892	8 895	
25 972	Canfor Corp.	294	397	
9 800	CCL Industries, Class B	378	2 585	
72 506	Centerra Gold Inc.	765	456	
25 700	Chemtrade Logistics Income Fund	551	487	
62 952	Detour Gold Corp.	1 069	1 151	
30 400	Dominion Diamond Corp.	421	396	
140 300	ECN Capital Corp.	401	463	
249 739	Eldorado Gold Corp.	2 251	1 079	
23 300	Endeavour Mining Corp.	485	467	
55 600	First Majestic Silver Corp.	642	570	
242 910	First Quantum Minerals Ltd.	3 219	3 243	
49 300	Fortuna Silver Mines Inc.	350	374	
63 500	Franco-Nevada Corp.	2 591	5 098	
304 783	Goldcorp Inc.	7 387	5 571	
55 700	Guyana Goldfields Inc.	524	341	
86 375	HudBay Minerals Inc.	1 001	663	
158 904	IAMGOLD Corporation	1 452	825	
23 300	Interfor Corp.	377	350	
20 400	Intertape Polymer Group Inc.	320	514	
180 200	Ivanhoe Mines Ltd., Class A	335	458	
442 247	Kinross Gold Corp.	6 055	1 853	
61 400	Kirkland Lake Gold Ltd.	582	431	
49 400	Klondex Mines Ltd.	359	309	
21 900	Labrador Iron Ore Royalty Corp.	361	408	
108 600	Lucara Diamond Corp.	404	330	

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



December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
217 639	Lundin Mining Corp.	\$ 1 613	\$ 1 393	
24 500	MAG Silver Corp.	410	362	
32 300	Methanex Corp.	348	1 902	
104 067	Nevsun Resources Ltd.	495	432	
183 900	New Gold Inc.	991	866	
15 100	Norbord Inc.	474	512	
72 900	Novagold Resources Inc.	554	448	
219 516	OceanaGold Corp.	666	858	
37 778	Osisko Gold Royalties Ltd.	603	495	
55 106	Pan American Silver Corp.	1 063	1 116	
298 084	Potash Corporation of Saskatchewan Inc.	6 385	7 240	
54 100	Pretium Resources Inc.	683	602	
119 103	Semafo Inc.	587	526	
52 200	Sandstorm Gold Ltd.	373	275	
42 750	Silver Standard Resources Inc.	869	513	
157 200	Silver Wheaton Corp.	2 696	4 078	
15 400	Stella-Jones Inc.	698	671	
111 900	Tahoe Resources Inc.	1 758	1 416	
165 178	Teck Resources Ltd., Class B	2 974	4 438	
27 920	Torex Gold Resources Inc.	499	580	
347 794	Turquoise Hill Resources Ltd.	1 843	1 499	
25 284	West Fraser Timber Co. Ltd.	599	1 214	
145 500	Western Forest Products Inc.	351	275	
11 000	Winpak Ltd.	525	500	
332 122	Yamana Gold Inc.	2 887	1 252	
		84 172	84 832	11.9
Real Estate				
30 594	Allied Properties Real Estate Investment Trust	687	1 100	
11 800	Altus Group Ltd.	332	365	
54 327	Artis Real Estate Investment Trust	570	690	
13 500	Boardwalk Real Estate Investment Trust	313	657	
75 900	Brookfield Property Partners LP	1 574	2 226	
48 535	Canadian Apartment Properties Real Estate Investment Trust	642	1 523	
26 100	Canadian Real Estate Investment Trust	602	1 208	
11 000	Colliers International Group Inc.	210	544	
56 942	Cominar Real Estate Investment Trust	932	838	
32 200	Crombie Real Estate Investment Trust	409	437	
40 900	Dream Global Real Estate Investment Trust	366	387	
39 574	Dream Office Real Estate Investment Trust	963	774	
48 900	First Capital Realty Inc.	824	1 011	
10 900	FirstService Corp.	137	695	
17 200	Granite Real Estate Investment Trust	590	771	
99 618	H&R Real Estate Investment Trust	1 805	2 228	
25 300	Milestone Apartments Real Estate Investment Trust	443	481	
16 131	Northview Apartment Real Estate Investment Trust	422	324	

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate (cont.)				
79 600	Pure Industrial Real Estate Investment Trust	\$ 382	\$ 445	
114 576	RioCan Real Estate Investment Trust	2 057	3 051	
40 300	Smart Real Estate Investment Trust	797	1 301	
39 900	Tricon Capital Group Inc.	430	377	
		15 487	21 433	3.0
Telecommunication Services				
309 205	BCE Inc.	11 824	17 943	
26 800	Manitoba Telecom Services Inc.	836	1 017	
127 126	Rogers Communications Inc., Class B	3 469	6 584	
210 218	TELUS Corp.	4 453	8 987	
		20 582	34 531	4.8
Utilities				
98 700	Algonquin Power & Utilities Corp.	836	1 124	
27 144	Atco Ltd., Class I, Non-Voting	470	1 212	
40 200	Brookfield Renewable Partners LP	1 280	1 602	
42 400	Canadian Utilities Ltd., Class A	691	1 534	
29 500	Capital Power Corp.	719	685	
71 800	Emera Inc.	1 952	3 259	
142 400	Fortis Inc.	4 368	5 904	
60 100	Hydro One Ltd.	1 472	1 417	
34 400	Innergex Renewable Energy Inc.	364	483	
31 114	Just Energy Group Inc.	520	228	
39 300	Northland Power Inc.	585	916	
50 000	Superior Plus Corp.	630	638	
101 300	TransAlta Corp.	1 971	753	
33 700	TransAlta Renewables Inc.	405	483	
		16 263	20 238	2.8
TOTAL CANADIAN EQUITIES		\$ 452 547	712 991	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			3 601	0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 716 592		100.0

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



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	\$ 712 991	\$ 597 306
Cash	2 238	1 688
Subscriptions receivable	607	390
Dividends receivable, interest accrued and other assets	1 775	1 676
TOTAL ASSETS	717 611	601 060
LIABILITIES		
Redemptions payable	585	911
Accounts payable and accrued expenses	434	370
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 019	1 281
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 716 592	\$ 599 779
Investments at cost	\$ 452 547	\$ 445 254
NAV		
SERIES A	\$ 712 717	\$ 599 779
SERIES F	\$ 3 875	\$ –
NAV PER UNIT		
SERIES A	\$ 28.59	\$ 24.28
SERIES F	\$ 10.61	\$ –

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	\$ 18 755	\$ 19 156
Other income (loss)	686	518
Securities lending revenue (see note 6 in the generic notes)	124	87
Net realized gain (loss) on investments	(2 999)	5 004
Net gain (loss) on foreign currencies and other net assets	8	(16)
Change in unrealized gain (loss) on investments	108 392	(78 810)
TOTAL INCOME (LOSS)	124 966	(54 061)
EXPENSES (see notes – Fund Specific Information)		
Management fees	3 266	3 303
Administration fees	979	992
Independent Review Committee costs	2	3
GST/HST	444	449
Transaction costs	32	36
Withholding tax	2	–
TOTAL EXPENSES	4 725	4 783
INCREASE (DECREASE) IN NAV	\$ 120 241	\$ (58 844)
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 120 125	\$ (58 844)
SERIES F	\$ 116	\$ –
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 4.87	\$ (2.40)
SERIES F	\$ 0.90	\$ –



Statements of Cash Flow (in \$000s)

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 120 241	\$ (58 844)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Net realized loss (gain) on investments	3 028	(5 004)
Change in unrealized loss (gain) on investments	(108 392)	78 810
(Increase) decrease in accrued receivables	(99)	(118)
Increase (decrease) in accrued payables	64	(65)
Cost of investments purchased	(55 676)	(33 183)
Proceeds on sales of investments	45 355	40 973
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4 521	22 569
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	112 526	91 132
Cash paid on redemption of redeemable units	(116 244)	(112 650)
Distributions paid to holders of redeemable units	(253)	(212)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (3 971)	\$ (21 730)
Net increase (decrease) in cash for the period	550	839
Cash (bank overdraft), beginning of period	1 688	849
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2 238	\$ 1 688
Interest received (paid)	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 19 340	\$ 19 556

Cash consists of cash and futures contracts margin receivable/payable, as applicable.



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Total	
	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	\$ 599 779	\$ 680 908	\$ –	\$ –	\$ 599 779	\$ 680 908
INCREASE (DECREASE) IN NAV	120 125	(58 844)	116	–	120 241	(58 844)
Early redemption fees	1	2	–	–	1	2
Proceeds from redeemable units issued	108 736	91 180	4 007	–	112 743	91 180
Reinvestments of distributions to holders of redeemable units	13 662	13 200	46	–	13 708	13 200
Redemption of redeemable units	(115 707)	(113 255)	(212)	–	(115 919)	(113 255)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	6 692	(8 873)	3 841	–	10 533	(8 873)
Distributions from net income	(13 879)	(13 412)	(82)	–	(13 961)	(13 412)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(13 879)	(13 412)	(82)	–	(13 961)	(13 412)
NET INCREASE (DECREASE) IN NAV	112 938	(81 129)	3 875	–	116 813	(81 129)
NAV AT END OF PERIOD	\$ 712 717	\$ 599 779	\$ 3 875	\$ –	\$ 716 592	\$ 599 779



December 31, 2016

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide long-term capital growth by tracking the performance of the benchmark S&P/TSX Capped Composite Total Return Index before fees and expenses are deducted.

Series F units were launched in July 2016.

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

Concentration risk (%)

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

	December 31 2016	December 31 2015
Investment mix		
Financials	34.8	38.1
Energy	21.3	18.4
Materials	11.9	9.5
Industrials	8.8	8.2
Consumer Discretionary	5.0	6.8
Telecommunication Services	4.8	5.4
Consumer Staples	3.8	4.5
Real Estate	3.0	–
Utilities	2.8	2.3
Information Technology	2.7	3.2
Health Care	0.6	3.2
Cash/Other	0.5	0.4
Total	100.0	100.0

Other price risk (% impact on net assets)

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

	December 31 2016	December 31 2015
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ or - 1.0

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

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	Level 1	Level 2	Level 3	Total
Equities	712 991	–	–	712 991
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	712 991	–	–	712 991
% of total portfolio	100.0	–	–	100.0

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	597 306	–	–	597 306
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	597 306	–	–	597 306
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	0.50%	0.15%
Series F	0.40%	0.10%

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

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

	December 31 2016	December 31 2015
Units held		
Series F	102	–
Value of all units	1	–



December 31, 2016

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	91 933
Non-capital losses	–

Redeemable units (000s)

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

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

	2016	2015
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Series A

Opening units	24 708	24 962
Issued number of units	4 148	3 388
Reinvested number of units	478	544
Redeemed number of units	(4 403)	(4 186)
Ending number of units	24 931	24 708

Series F

Opening units	–	–
Issued number of units	381	–
Reinvested number of units	4	–
Redeemed number of units	(20)	–
Ending number of units	365	–

Transaction costs (\$000s except %)

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

	December 31 2016		December 31 2015	
	\$	%	\$	%
Total transaction costs	32	100	36	100
Related-party brokerage commissions*	–	–	7	19
Commission arrangements [†]	–	–	–	–

* See note 7 in the generic notes.

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

Securities lending revenue (\$000s except %) (see note 6 in the generic notes)

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

	December 31 2016		December 31 2015	
	Fair value of securities loaned	56 117	62 724	
Fair value of collateral received	57 239	63 978		

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

	December 31 2016		December 31 2015	
	\$	%	\$	%
Gross revenue	221	100	146	100
RBC IS (paid)	(77)	(35)	(52)	(35)
Tax withheld	(20)	(9)	(7)	(5)
Fund revenue	124	56	87	60

1. The Funds

The Funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of Ontario or British Columbia. RBC GAM is the manager and portfolio manager of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. RBC GAM is also the trustee of those Funds governed by the laws of the Province of Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 8, 2017.

The Funds may issue an unlimited number of units in some or all of Series A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H, Series D, Series E, Series FT5, Series FT8, Series I and Series O.

Series A units have no sales charges and are available to all investors through authorized dealers.

Advisor Series units and Advisor T5 Series units are available to all investors through authorized dealers with an initial sales charge or low-load sales charge option. For certain of the Funds, Advisor Series units and Advisor T5 Series units are available with a deferred sales charge option. Under the initial sales charge option, investors pay a sales charge ranging from 0% to 5% of the amount invested. Under the deferred sales charge or low-load sales charge option, sales charges may be applicable, as described in the Simplified Prospectus.

Series T5 units and Series T8 units have no sales charges and are available to all investors through authorized dealers.

Series H units have no sales charges, have lower fees than Series A units and are only available to investors who invest and maintain the required minimum balance through authorized dealers.

Series D units have no sales charges and have lower fees than Series A units. Series D units may be available to investors who have accounts with RBC Direct Investing Inc., Phillips, Hager & North Investment Funds Ltd. (“PH&N IF”) or certain other authorized dealers (primarily discount brokers).

Series F units, Series FT5 units and Series FT8 units have no sales charges and have lower fees than Series A units. Series F units, Series FT5 units and Series FT8 units are only available to investors who have fee-based accounts with their dealer.

Series I units have no sales charges, have lower fees than Series F units, Series FT5 units and Series FT8 units and are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series O units are only available to large private or institutional investors or dealers. No management fees are payable by the Funds in respect to Series O units. Unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at December 31, 2016 and 2015. In the year a Fund or series is established, “period” represents the period from inception to December 31 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), which include estimates and assumptions made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds, which are investment entities, are as follows:

Classification of Financial Assets and Liabilities The Funds’ financial assets and financial liabilities, other than derivatives, are designated at fair value through profit or loss at inception, as those financial assets and liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds’ documented investment strategy. Derivatives are classified as held for trading and measured at fair value through profit or loss. Redemption units are measured at their respective redemption values. All other assets and liabilities are measured at amortized cost. Unrealized gains (losses) arising on derivatives are shown on the respective Fund’s Statements of Financial Position and such amounts are included in the Statements of Comprehensive Income in “Change in unrealized gain (loss) on investments,” where applicable. Realized gains arising on derivatives during a period are included in the Statements of Comprehensive Income in “Other derivatives,” where applicable. Refer to note 3 for net gains (losses) on financial instruments by category.

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

Unconsolidated Structured Entities The Funds may invest in other Funds managed by the manager or an affiliate of the manager ("Investee Funds"). The Investee Funds are determined to be unconsolidated structured entities, as decision making in the Investee Fund is not governed by the voting rights or other similar rights held by the Fund. The investments in Investee Funds are subject to the terms and conditions of the offering documentation of the respective Investee Funds and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Investee Funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The Investee Funds apply various investment strategies to accomplish their respective investment objectives.

The Investee Funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective Fund's net assets.

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

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

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

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

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

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

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

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

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

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

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

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

NHA-approved mortgages are valued at an amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

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

Options – Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

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The premium received for written options is recorded as a liability in the Schedule of Investment Portfolio and adjusted daily to the fair value of the written option.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Total Return Swaps – The Funds may enter into total return swaps to gain or mitigate exposure of the underlying reference securities. Total return swaps on commodities involve commitments where cash flows are exchanged based on the price of a commodity and based on a fixed or variable rate. One party would receive payments based on the market value of the commodity involved and pay a fixed amount. Total return swaps on indices or individual securities involve commitments to pay interest in exchange for a market-linked return. One counterparty pays out the total return of a specific reference asset, which may be an equity, index, or bond, and in return receives a regular stream of payments. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment from or make a payment to the counterparty.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

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

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

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

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund) at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money

Market Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

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

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

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. "Other income (loss)" includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. "Other income received from underlying funds" includes income earned by a Fund from investments in underlying funds. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized on a straight line basis.

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

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

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

AUD – Australian dollar	KRW – South Korean won
BRL – Brazilian real	MXN – Mexican peso
CAD – Canadian dollar	MYR – Malaysian ringgit
CHF – Swiss franc	NOK – Norwegian krone
CLP – Chilean peso	NZD – New Zealand dollar
CNH/CNY – Chinese renminbi	PEN – Peruvian nuevo sol
COP – Colombian peso	PHP – Philippine peso
CZK – Czech koruna	PLN – Polish zloty
DKK – Danish krone	RON – Romanian leu
EUR – Euro	RUB – Russian ruble
GBP – Pound sterling	SEK – Swedish krona
HKD – Hong Kong dollar	SGD – Singapore dollar
HUF – Hungarian forint	THB – Thailand baht
IDR – Indonesian rupiah	TRY – Turkish new lira
ILS – Israeli new shekel	TWD – New Taiwan dollar
INR – Indian rupee	USD – United States dollar
JPY – Japanese yen	ZAR – South African rand

4. Financial instrument risk and capital management

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

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

Financial instrument risk, as applicable to a Fund, is disclosed in its "Notes to Financial Statements – Fund Specific Information."

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of its assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 6). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

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

Interest rate risk

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

Currency risk

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

Other price risk

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

5. Taxes

The Funds qualify as open-ended mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.

6. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50%

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of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

7. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”).

RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds’ day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. No management fees are paid by the Funds with respect to Series O units. Unitholders of Series O units pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds, and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, “other fund costs”), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated among each series of units of a Fund in accordance with the services used. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). The Fund’s ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Sub-Advisors

RBC Global Asset Management (U.S.) Inc., a wholly owned subsidiary of Royal Bank, is the sub-advisor for the RBC \$U.S. Investment Grade Corporate Bond Fund, RBC U.S. Mid-Cap Growth Equity Fund, RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund, RBC U.S. Mid-Cap Value Equity Fund, RBC U.S. Small-Cap Core Equity Fund, RBC U.S. Small-Cap Value Equity Fund, RBC Private U.S. Large-Cap Core Equity Pool, RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool, Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund, Phillips, Hager & North U.S. Equity Fund and Phillips, Hager & North U.S. Growth Fund. RBC Global Asset Management (UK) Limited, a wholly owned subsidiary of Royal Bank, is the sub-advisor for the RBC Bond Fund (for a portion of the Fund), RBC Global Bond Fund (for a portion of the Fund), RBC Global Corporate Bond Fund (for a portion of the Fund), RBC Global High Yield Bond Fund (for a portion of the Fund), RBC Emerging Markets Bond Fund, RBC U.S. Monthly Income Fund (for a portion of the Fund), RBC Balanced Fund (for the European equity portion of the Fund), RBC Global Balanced Fund (for the European equity portion of the Fund), RBC Jantzi Balanced Fund (for the European equity portion of the Fund), RBC International Dividend Growth Fund (for the European equity portion of the Fund), RBC International Equity Fund (for the European equity portion of the Fund), RBC European Dividend Fund, RBC European Equity Fund, RBC European Mid-Cap Equity Fund, RBC Emerging Markets Dividend Fund, RBC Emerging Markets Equity Fund, RBC Emerging Markets Small-Cap Equity Fund, RBC Global Dividend Growth Fund, RBC Global Dividend Growth Currency Neutral Fund, RBC Global Equity Fund, RBC Global Equity Focus Fund, RBC Jantzi Global Equity Fund (for the European equity portion of the Fund), Phillips, Hager & North Overseas Equity Fund, Phillips, Hager & North Global Equity Fund and Phillips, Hager & North Community Values Global Equity Fund. RBC Investment Management (Asia) Limited, a wholly owned subsidiary of Royal Bank, is the sub-advisor for the RBC Balanced Fund (for the Asian equity portion of the Fund), RBC Global Balanced Fund (for the Asian equity portion of the Fund), RBC Jantzi Balanced Fund (for the Asian equity portion of the Fund), RBC International Dividend Growth Fund (for the

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Asian equity portion of the Fund), RBC International Equity Fund (for the Asian equity portion of the Fund), RBC Asian Equity Fund, RBC Asia Pacific Ex-Japan Equity Fund, RBC Japanese Equity Fund and RBC Jantzi Global Equity Fund (for the Asian equity portion of the Fund). BlueBay Asset Management LLP, an indirect wholly owned subsidiary of Royal Bank, is the sub-advisor of the BlueBay Global Monthly Income Bond Fund, BlueBay Global Sovereign Bond Fund (Canada), BlueBay Global Investment Grade Corporate Bond Fund (Canada), BlueBay European High Yield Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada) and BlueBay \$U.S. Global Convertible Bond Fund (Canada).

Trustee

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and PH&N IF are principal distributors of, or distribute certain series of units of, the Funds. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H and Series D units.

Custodian

RBC IS is the custodian and holds the assets of the Funds.

Registrars

Royal Bank, RBC IS and RBC GAM are the registrars of the Funds and keep records of who owns the units of the Funds. The registrars also process orders and issue account statements.

Brokers and Dealers

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

Other Related-Party Transactions

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

Related-Party Trading Activities

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

Inter-Fund Trading

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

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

8. Future accounting changes

The following IFRS standard has been issued, but is not yet in effect:

In July 2014, the International Accounting Standards Board finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon its effective date.

The new standard, which becomes effective for annual periods beginning on or after January 1, 2018, is not expected to have a significant impact on the Funds.