

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 11, 2019



**Heidi Johnston, CPA, CA**  
Chief Financial Officer  
RBC GAM Funds

To the Unitholders and Trustee 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 \$U.S. Short-Term Corporate Bond Fund  
 RBC Monthly Income Bond Fund  
 RBC Canadian Bond Index Fund  
 RBC Canadian Government Bond Index Fund  
 RBC Bond Fund  
 RBC Vision Bond Fund  
 RBC Global Bond Fund  
 RBC Global Bond & Currency 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  
 RBC \$U.S. Strategic Income 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 Bond Fund (Canada)  
 BlueBay Emerging Markets Local Currency Bond Fund (Canada)  
 BlueBay Emerging Markets Corporate Bond Fund  
 BlueBay Global Convertible Bond Fund (Canada)  
 BlueBay \$U.S. Global Convertible Bond Fund (Canada)  
 RBC Conservative Bond Pool  
 RBC Core Bond Pool  
 RBC Core Plus Bond Pool  
 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 Vision 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 Target 2035 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 Vision 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 (Unhedged)  
 RBC O'Shaughnessy U.S. Value 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 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 Global Equity Focus Currency Neutral Fund  
 RBC QUBE Global Equity Fund  
 RBC QUBE Low Volatility Global Equity Fund  
 RBC QUBE Low Volatility Global Equity Currency Neutral Fund  
 RBC Vision Global Equity Fund  
 RBC Vision Fossil Fuel Free 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 (renamed RBC Private Fundamental Canadian 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 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 Dividend Income Fund  
 Phillips, Hager & North 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 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  
 Phillips, Hager & North LifeTime 2055 Fund  
 Phillips, Hager & North Balanced Pension Trust  
 Phillips, Hager & North Conservative Equity Income Fund  
 Phillips, Hager & North Canadian Equity Pension Trust  
 Phillips, Hager & North Small Float Fund  
 Phillips, Hager & North Canadian Equity Plus Pension Trust

(collectively, the "Funds", individually the "Fund")

## Our opinion

In our opinion, the accompanying December 31, 2018 annual financial statements of each of the Funds present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards ("IFRS").

### *What we have audited*

The financial statements of each of the Funds comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units ("NAV") for the periods indicated in note 2; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### *Independence*

We are independent of each of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Other information

Management is responsible for the other information of each of the Funds. The other information comprises the 2018 Annual Management Report of Fund Performance of each of the Funds.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each of the Funds, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each of the Funds or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance 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 IFRS, 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.

In preparing the financial statements, management is responsible for assessing the ability of each of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any of the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each of the Funds.

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## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each of the Funds.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each of the Funds, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of each of the Funds.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each of the Funds to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each of the Funds or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any of the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each of the Funds, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 11, 2019



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)  
**PHILLIPS, HAGER & NORTH BOND FUND**

December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>BONDS</b>						
<b>CANADIAN BONDS</b>						
<b>CORPORATE</b>						
3 175	407 International Inc.	4.300	26-May-2021	\$ 3 276	\$ 3 285	
3 869	Access Justice Durham Ltd.	5.015	31-Aug-2039	4 258	4 369	
6 428	Access Prairies Partnership	4.232	01-Mar-2048	6 428	6 587	
2 274	Access Roads Edmonton Ltd.	5.669	30-Sep-2037	2 553	2 654	
4 136	Access Roads Edmonton Ltd.	5.812	30-Sep-2037	4 870	4 935	
6 885	Aéroports de Montréal	6.950	16-Apr-2032	9 348	8 784	
4 890	Aéroports de Montréal	5.170	17-Sep-2035	6 329	5 913	
4 520	Aéroports de Montréal	5.670	16-Oct-2037	6 141	5 872	
4 571	Aéroports de Montréal	3.919	26-Sep-2042	5 034	4 820	
4 640	Aéroports de Montréal	3.918	12-Jun-2045	5 023	4 897	
20 213	Aéroports de Montréal	3.360	24-Apr-2047	20 470	19 433	
26 825	Alberta Powerline LP	3.340	01-Jun-2032	26 825	26 748	
26 810	Alberta Powerline LP	3.351	01-Sep-2032	26 810	26 751	
17 000	Alectra Inc.	4.521	29-Apr-2021	17 802	17 730	
6 945	Alectra Inc.	3.239	21-Nov-2024	7 105	7 094	
10 547	Alliance Pipeline LP	4.928	16-Dec-2019	11 304	10 748	
15 123	Alliance Pipeline LP	7.181	30-Jun-2023	18 151	16 762	
1 830	Alliance Pipeline LP	5.546	31-Dec-2023	2 030	1 904	
11 441	Alliance Pipeline LP	6.765	31-Dec-2025	13 708	12 983	
11 665	Alliance Pipeline LP	7.217	31-Dec-2025	14 162	13 502	
28 090	AltaLink Investments LP	3.674	05-Jun-2019	28 263	28 151	
20 357	AltaLink Investments LP	3.265	05-Jun-2020	20 332	20 522	
12 886	AltaLink Investments LP	2.244	07-Mar-2022	12 886	12 657	
3 637	AltaLink LP	3.621	17-Sep-2020	3 692	3 701	
27 765	Bank of Montreal	2.100	06-Oct-2020	27 467	27 525	
35 360	Bank of Montreal	1.880	31-Mar-2021	34 568	34 746	
10 495	Bank of Montreal	3.400	23-Apr-2021	10 635	10 659	
121 893	Bank of Montreal	1.610	28-Oct-2021	117 487	118 152	
1 017	BC Tel	9.650	08-Apr-2022	1 380	1 212	
11 849	Bell Canada	3.250	17-Jun-2020	11 993	11 929	
17 835	Bell Canada	4.950	19-May-2021	18 742	18 633	
40 840	Bell Canada	3.150	29-Sep-2021	41 064	40 953	
17 690	Bell Canada	3.000	03-Oct-2022	17 448	17 540	
11 710	Bell Canada	4.700	11-Sep-2023	12 277	12 335	
8 790	Bell Canada	2.700	27-Feb-2024	8 424	8 488	
5 850	Bell Canada	3.350	12-Mar-2025	5 718	5 777	
3 465	Bell Canada	2.900	12-Aug-2026	3 239	3 279	
1 325	Bell Canada	3.600	29-Sep-2027	1 282	1 304	
1 928	Blackbird Infrastructure 407 GP	3.760	30-Jun-2047	1 972	1 921	
8 378	Bow Centre Street LP	3.690	14-Jun-2021	8 373	8 308	
3 742	Bow Centre Street LP	3.693	14-Jun-2022	3 750	3 689	
25 925	Bow Centre Street LP	3.797	13-Jun-2023	25 479	25 423	
15 715	Bridging North America GP	4.023	31-May-2038	15 896	16 588	
25 680	Brookfield Asset Management Inc.	3.950	09-Apr-2019	25 937	25 784	
10 000	Brookfield Asset Management Inc.	5.300	01-Mar-2021	10 503	10 431	
29 977	Brookfield Asset Management Inc.	5.040	08-Mar-2024	30 780	31 608	
8 403	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	8 477	8 489	
20 352	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	20 389	20 358	
6 751	Brookfield Infrastructure Finance ULC	3.315	22-Feb-2024	6 816	6 601	
28 771	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	30 515	29 777	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
10 955	Bruce Power LP	2.844	23-Jun-2021	\$ 10 981	\$ 10 915	
6 955	Bruce Power LP	3.000	21-Jun-2024	6 954	6 813	
12 955	Bruce Power LP	3.969	23-Jun-2026	13 366	13 189	
23 834	Bruce Power LP	4.010	21-Jun-2029	23 920	23 930	
1 625	Bruce Power LP	4.132	21-Jun-2033	1 626	1 586	
25 290	Cameco Corp.	5.670	02-Sep-2019	27 044	25 749	
25 377	Cameco Corp.	3.750	14-Nov-2022	25 422	25 234	
26 490	Cameco Corp.	4.190	24-Jun-2024	26 492	26 447	
21 415	Canadian Imperial Bank of Commerce	1.660	20-Jan-2020	21 161	21 247	
14 200	Canadian Imperial Bank of Commerce	1.640	12-Jul-2021	13 759	13 817	
6 095	Canadian Utilities Ltd.	9.400	01-May-2023	9 040	7 674	
3 700	Clover LP	4.216	31-Mar-2034	3 809	3 810	
12 195	Clover LP	4.216	30-Jun-2034	12 195	12 705	
5 624	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	5 799	5 658	
5 740	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	6 117	5 832	
5 751	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	5 765	5 723	
16 257	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	16 275	16 076	
3 290	CT Real Estate Investment Trust	3.527	09-Jun-2025	3 177	3 230	
13 033	CU Inc.	6.800	13-Aug-2019	13 587	13 389	
5 390	CU Inc.	11.770	30-Nov-2020	8 209	6 287	
13 965	CU Inc.	9.920	01-Apr-2022	21 598	16 980	
14 712	CU Inc.	6.215	06-Mar-2024	17 709	17 045	
5 830	CU Inc.	5.563	26-May-2028	7 202	6 913	
3 134	CU Inc.	5.556	30-Oct-2037	3 776	3 885	
272	CU Inc.	3.857	14-Nov-2052	296	268	
5 690	CU Inc.	4.094	19-Oct-2054	5 693	5 881	
1 577	CU Inc.	4.211	29-Oct-2055	1 578	1 665	
5 015	Dufferin Wind Power Inc.	4.317	30-Nov-2033	5 016	5 086	
2 115	Edmonton Regional Airport Authority	7.214	01-Nov-2030	2 860	2 635	
5 465	Ellisdon Infrastructure RIH General Partnership	3.930	31-Oct-2038	5 465	5 576	
13 270	Emera Inc.	4.830	02-Dec-2019	13 704	13 513	
5 505	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	5 835	5 645	
22 539	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	25 154	23 822	
4 375	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	4 397	4 418	
10 165	Enbridge Gas Distribution Inc.	6.650	03-Nov-2027	12 866	12 525	
3 107	Enbridge Gas Distribution Inc.	6.100	19-May-2028	3 748	3 728	
1 305	Enbridge Gas Distribution Inc.	6.160	16-Dec-2033	1 758	1 661	
6 154	Enbridge Gas Distribution Inc.	5.210	25-Feb-2036	7 674	7 197	
3 285	Enbridge Inc.	4.100	22-Feb-2019	3 292	3 263	
15 353	Enbridge Inc.	4.770	02-Sep-2019	16 459	15 574	
14 569	Enbridge Inc.	4.260	01-Feb-2021	15 061	14 926	
1 875	Enbridge Inc.	6.100	14-Jul-2028	2 093	2 111	
17 152	Enbridge Pipelines Inc.	4.450	06-Apr-2020	17 582	17 517	
5 006	Enbridge Pipelines Inc.	2.930	30-Nov-2022	5 046	4 996	
920	Enbridge Pipelines Inc.	3.790	17-Aug-2023	991	946	
3 140	Enbridge Pipelines Inc.	6.350	17-Nov-2023	3 739	3 559	
4 382	Enbridge Pipelines Inc.	8.200	15-Feb-2024	5 934	5 363	
18 870	Enbridge Pipelines Inc.	3.450	29-Sep-2025	19 146	18 906	
1 100	Enbridge Pipelines Inc.	6.050	12-Feb-2029	1 275	1 284	
15 354	Enbridge Pipelines Inc.	5.330	06-Apr-2040	17 735	17 016	
6 936	Enbridge Pipelines Inc.	4.550	17-Aug-2043	7 853	6 950	
13 038	Enbridge Pipelines Inc.	4.550	29-Sep-2045	13 485	13 066	
14 704	Enbridge Southern Lights LP	4.014	30-Jun-2040	14 700	14 516	
7 250	Enwave Energy Corp.	3.943	07-Dec-2037	7 250	6 876	
19 975	Fair Hydro Trust	3.357	15-May-2033	19 999	20 255	
12 675	Fair Hydro Trust	3.520	15-May-2038	12 675	12 952	
3 960	First Capital Realty Inc.	4.323	31-Jul-2025	3 983	4 029	

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



December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
14 155	Fortis Inc.	2.850	12-Dec-2023	\$ 13 854	\$ 13 959	
1 860	FortisBC Energy Inc.	5.550	25-Sep-2036	2 187	2 309	
1 232	FortisBC Energy Inc.	6.000	02-Oct-2037	1 640	1 606	
9 985	Gaz Metro Inc.	4.930	18-Jun-2019	11 144	10 104	
15 000	Gaz Metro Inc.	1.520	25-May-2020	14 730	14 809	
8 310	Gaz Metro Inc.	5.450	12-Jul-2021	9 430	8 890	
2 500	Gaz Metro Inc.	9.000	16-May-2025	3 777	3 341	
6 861	Grand Renewable Solar LP	3.926	31-Jan-2035	6 861	6 874	
3 275	Great Lakes Power Ltd.	6.600	16-Jun-2023	3 771	3 698	
17 924	Greater Toronto Airports Authority	6.450	03-Dec-2027	23 853	22 748	
894	Greater Toronto Airports Authority	6.450	30-Jul-2029	1 134	1 062	
5 300	Greater Toronto Airports Authority	7.050	12-Jun-2030	7 541	7 204	
4 256	Greater Toronto Airports Authority	7.100	04-Jun-2031	6 300	5 871	
12 675	Greater Toronto Airports Authority	6.980	15-Oct-2032	18 332	17 649	
11 147	Greater Toronto Airports Authority	6.470	02-Feb-2034	15 992	14 999	
7 190	Greater Toronto Airports Authority	3.260	01-Jun-2037	7 141	6 966	
2 130	Greater Toronto Airports Authority	5.630	07-Jun-2040	2 800	2 788	
7 752	Greater Toronto Airports Authority	5.300	25-Feb-2041	10 222	9 781	
2 400	Greater Toronto Airports Authority	4.530	02-Dec-2041	2 883	2 763	
35 269	H2O Power LP	3.310	30-Nov-2029	35 269	33 920	
10 363	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	12 174	12 181	
53 020	Hydro One Inc.	1.480	18-Nov-2019	52 364	52 621	
24 404	Hydro One Inc.	1.620	30-Apr-2020	24 318	24 114	
20 695	Hydro One Inc.	1.840	24-Feb-2021	20 523	20 338	
10 140	Hydro One Inc.	2.570	25-Jun-2021	10 139	10 107	
4 610	Hydro One Inc.	3.200	13-Jan-2022	4 660	4 660	
20 029	Hydro One Inc.	2.970	26-Jun-2025	19 921	19 855	
19 025	Hydro One Inc.	2.770	24-Feb-2026	18 213	18 532	
280	Hydro One Inc.	6.930	01-Jun-2032	413	373	
1 369	Hydro One Inc.	6.350	31-Jan-2034	1 825	1 765	
585	Hydro One Inc.	5.360	20-May-2036	711	696	
3 668	Hydro One Inc.	4.890	13-Mar-2037	4 286	4 159	
3 123	Hydro One Inc.	6.030	03-Mar-2039	4 087	4 058	
1 555	Hydro One Inc.	6.590	22-Apr-2043	2 321	2 208	
15 860	Hydro One Inc.	4.590	09-Oct-2043	18 201	17 587	
14 265	Hydro One Inc.	3.630	25-Jun-2049	14 122	13 558	
20 798	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	20 785	20 273	
12 697	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	13 131	12 968	
19 640	Inter Pipeline Ltd.	3.448	20-Jul-2020	19 907	19 790	
8 150	John Deere Canada Funding Inc.	2.700	17-Jan-2023	8 021	8 090	
975	John Deere Canada Funding Inc.	3.020	13-Jul-2023	975	978	
13 075	Kingston Solar LP	3.571	31-Jul-2035	13 075	12 749	
5 365	Loblaw Companies Ltd.	3.918	10-Jun-2024	5 365	5 463	
13 665	Loblaw Companies Ltd.	4.488	11-Dec-2028	13 665	14 094	
14 324	Lower Mattagami Energy LP	4.331	18-May-2021	15 707	14 870	
10 360	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	10 358	10 561	
124	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	124	126	
12 764	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	12 766	12 834	
5 378	Metro Inc.	3.390	06-Dec-2027	5 034	5 150	
5 640	Mosaic Transit Partners GP	4.111	28-Feb-2038	5 640	5 729	
3 500	Mosaic Transit Partners GP	4.470	28-Feb-2053	3 500	3 520	
8 350	Mountain View Partners GP	3.974	31-Mar-2051	8 350	7 967	
1 875	NAV Canada	4.397	18-Feb-2021	1 967	1 945	
11 233	North Battleford Power LP	4.958	31-Dec-2032	11 322	12 312	
10 975	North West Redwater Partnership	2.100	23-Feb-2022	10 614	10 671	
17 048	North West Redwater Partnership	3.200	22-Jul-2024	16 949	17 001	
8 783	North West Redwater Partnership	3.200	24-Apr-2026	8 769	8 657	
17 371	North West Redwater Partnership	2.800	01-Jun-2027	16 863	16 464	

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





December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
7 725	North West Redwater Partnership	4.250	01-Jun-2029	\$ 7 745	\$ 8 063	
20 255	North West Redwater Partnership	4.150	01-Jun-2033	20 633	20 688	
8 290	North West Redwater Partnership	3.650	01-Jun-2035	8 247	7 950	
6 529	North West Redwater Partnership	4.750	01-Jun-2037	6 649	7 050	
9 140	North West Redwater Partnership	4.350	10-Jan-2039	9 267	9 381	
10 924	North West Redwater Partnership	4.050	22-Jul-2044	11 205	10 729	
3 963	Northland Power Solar Finance One LP	4.397	30-Jun-2032	3 963	4 123	
11 570	Northwestern Hydro Acquisition Co. Inc.	3.985	31-Dec-2034	11 570	12 016	
10 545	Nouvelle Autoroute 30 Financement Inc.	3.742	31-Dec-2032	10 545	10 698	
10 450	Nouvelle Autoroute 30 Financement Inc.	3.750	31-Mar-2033	10 450	10 674	
6 286	Nova Gas Transmission Ltd.	9.900	16-Dec-2024	9 442	8 415	
3 285	Nova Gas Transmission Ltd.	8.900	27-May-2025	4 969	4 301	
2 625	Nova Gas Transmission Ltd.	8.875	27-May-2026	3 744	3 484	
8 500	Nova Scotia Power Inc.	9.750	02-Aug-2019	11 904	8 838	
13 343	Nova Scotia Power Inc.	8.850	19-May-2025	19 616	17 270	
7 705	OMERS Realty Corp.	2.473	12-Nov-2019	7 705	7 711	
18 285	OMERS Realty Corp.	3.203	24-Jul-2020	18 495	18 459	
32 015	Ontario Power Generation Inc.	3.315	04-Oct-2027	32 122	31 869	
1 387	Ottawa MacDonald-Cartier International Airport Authority	6.973	25-May-2032	1 883	1 750	
2 103	Pembina Pipeline Corp.	3.710	11-Aug-2026	2 049	2 077	
4 628	Plenary Health Hamilton LP	5.796	31-May-2043	5 956	5 606	
9 980	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	10 797	10 915	
8 465	PSS Generating Station LP	4.795	24-Oct-2067	8 465	9 683	
13 850	Ridley Grain Ltd.	5.227	01-Aug-2024	13 850	14 443	
2 000	Rogers Communications Inc.	5.380	04-Nov-2019	2 081	2 045	
6 010	Rogers Communications Inc.	4.700	29-Sep-2020	6 226	6 194	
26 558	Rogers Communications Inc.	5.340	22-Mar-2021	28 232	27 862	
123 855	Royal Bank of Canada*	2.860	04-Mar-2021	123 936	124 321	
67 890	Royal Bank of Canada*	2.030	15-Mar-2021	66 643	66 953	
42 418	Royal Bank of Canada*	1.583	13-Sep-2021	40 950	41 143	
9 583	SEC LP and Arci Ltd.	5.188	29-Aug-2033	9 605	10 022	
2 949	SGTP Highway Bypass LP	4.105	31-Jan-2045	2 949	3 070	
5 235	Sun Life Financial Inc.	2.770	13-May-2024	5 296	5 241	
9 925	Sysco Canada Inc.	3.650	25-Apr-2025	9 921	9 971	
4 002	TELUS Corp.	5.050	23-Jul-2020	4 198	4 139	
3 619	Toronto Hydro Corp.	4.490	12-Nov-2019	3 984	3 684	
12 935	Toronto Hydro Corp.	3.540	18-Nov-2021	13 717	13 260	
33 655	Toronto-Dominion Bank	1.693	02-Apr-2020	33 182	33 329	
75 625	Toronto-Dominion Bank	2.045	08-Mar-2021	74 289	74 663	
52 745	Toronto-Dominion Bank	1.680	08-Jun-2021	51 513	51 671	
47 985	Toronto-Dominion Bank	2.621	22-Dec-2021	47 785	47 810	
34 330	TransAlta OCP LP	4.509	05-Aug-2030	34 331	35 349	
2 500	TransCanada PipeLines Ltd.	8.050	17-Feb-2039	3 761	3 558	
13 453	TransCanada PipeLines Ltd.	4.550	15-Nov-2041	14 131	13 280	
13 602	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	13 723	13 005	
17 980	TransCanada PipeLines Ltd.	4.330	16-Sep-2047	17 771	17 064	
14 060	TransCanada PipeLines Ltd.	4.180	03-Jul-2048	14 069	12 966	
21 990	TransEd Partners GP	3.951	30-Sep-2050	20 339	20 848	
5 000	Union Gas Ltd.	4.850	25-Apr-2022	5 301	5 319	
9 682	Union Gas Ltd.	8.650	10-Nov-2025	13 643	12 836	
3 650	Union Gas Ltd.	2.810	01-Jun-2026	3 572	3 553	
1 243	Union Gas Ltd.	4.200	02-Jun-2044	1 395	1 303	
2 520	Vancouver Airport Authority	3.857	10-Nov-2045	2 812	2 687	
3 710	Vancouver Airport Authority	3.656	23-Nov-2048	3 710	3 820	
4 573	Vancouver Airport Fuel Facilities Corp.	3.653	20-Mar-2051	4 573	4 792	
6 009	Vancouver Fraser Port Authority	4.630	20-Apr-2020	6 815	6 145	
12 750	Wells Fargo Canada Corp.	2.944	25-Jul-2019	12 840	12 790	

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December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
11 926	Westcoast Energy Inc.	5.600	16-Jan-2019	\$ 12 498	\$ 11 937	
3 099	Westcoast Energy Inc.	9.900	10-Jan-2020	3 521	3 316	
14 398	Westcoast Energy Inc.	3.883	28-Oct-2021	15 136	14 742	
1 476	Westcoast Energy Inc.	3.120	05-Dec-2022	1 375	1 479	
4 030	Westcoast Energy Inc.	7.300	18-Dec-2026	4 993	4 989	
3 692	Westcoast Energy Inc.	6.750	15-Dec-2027	4 754	4 497	
1 465	Westcoast Energy Inc.	7.150	20-Mar-2031	1 931	1 858	
4 091	Westcoast Energy Inc.	4.791	28-Oct-2041	4 389	4 222	
4 850	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	4 851	4 910	
5 213	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	5 388	6 495	
4 575	Winnipeg Airport Authority Inc.	3.659	30-Sep-2047	4 575	4 593	
				<b>3 008 737</b>	<b>2 968 459</b>	<b>31.9</b>
<b>FEDERAL</b>						
98 760	Canada Housing Trust No. 1	1.250	15-Jun-2021	98 511	96 904	
71 135	Canada Housing Trust No. 1	3.800	15-Jun-2021	75 205	74 107	
65 066	Canada Housing Trust No. 1	1.150	15-Dec-2021	63 783	63 300	
119 053	Canada Housing Trust No. 1	1.500	15-Dec-2021	118 781	117 007	
53 349	Canada Housing Trust No. 1	2.650	15-Mar-2022	56 880	54 193	
188 361	Canada Housing Trust No. 1	1.750	15-Jun-2022	189 157	185 675	
276 571	Canada Housing Trust No. 1	2.400	15-Dec-2022	279 477	278 359	
139 130	Canada Housing Trust No. 1	2.350	15-Jun-2023	138 724	139 587	
11 628	Canada Housing Trust No. 1	2.900	15-Jun-2024	11 757	11 960	
11 939	Canada Housing Trust No. 1	2.250	15-Dec-2025	12 003	11 818	
8 969	Canada Housing Trust No. 1	1.900	15-Sep-2026	8 705	8 628	
42 062	Canada Housing Trust No. 1	2.350	15-Jun-2027	42 046	41 685	
7 544	Canada Housing Trust No. 1	2.350	15-Mar-2028	7 454	7 448	
40 932	Canada Housing Trust No. 1	2.650	15-Mar-2028	40 842	41 415	
79 999	Canada Housing Trust No. 1	2.650	15-Dec-2028	79 356	80 889	
3 100	CBC Monetization Trust	4.688	15-May-2027	3 133	3 369	
2 145	Government of Canada	1.750	01-Sep-2019	2 143	2 145	
420	Government of Canada	1.500	01-Mar-2020	416	418	
9 615	Government of Canada	1.750	01-May-2020	9 587	9 605	
14	Government of Canada	3.500	01-Jun-2020	15	14	
50 712	Government of Canada	2.250	01-Feb-2021	50 663	51 107	
64 649	Government of Canada	0.750	01-Mar-2021	62 948	63 132	
107 392	Government of Canada	3.250	01-Jun-2021	114 817	110 880	
35 381	Government of Canada	0.750	01-Sep-2021	34 008	34 362	
12 930	Government of Canada	0.500	01-Mar-2022	12 228	12 387	
3 400	Government of Canada	2.750	01-Jun-2022	3 473	3 497	
670	Government of Canada	1.000	01-Sep-2022	639	648	
62 364	Government of Canada	1.500	01-Jun-2023	60 901	61 357	
124 645	Government of Canada	2.000	01-Sep-2023	122 887	125 289	
2 183	Government of Canada	2.500	01-Jun-2024	2 232	2 249	
8 450	Government of Canada	1.500	01-Jun-2026	8 140	8 198	
142 320	Government of Canada	1.000	01-Jun-2027	126 848	131 932	
5 500	Government of Canada	2.000	01-Jun-2028	5 468	5 517	
13 630	Government of Canada	5.750	01-Jun-2033	18 884	19 850	
11 886	Government of Canada	1.250	01-Dec-2047	14 024	13 394	
348 663	Government of Canada	2.750	01-Dec-2048	381 804	392 084	
37 494	Government of Canada	0.500	01-Dec-2050	36 182	34 722	
38 950	Government of Canada	2.000	01-Dec-2051	36 620	37 272	
				<b>2 330 741</b>	<b>2 336 403</b>	<b>25.1</b>
<b>PROVINCIAL/MUNICIPAL</b>						
5 000	City of Montreal	3.500	01-Sep-2024	5 206	5 192	
790	City of Montreal	2.750	01-Sep-2026	789	779	
11 295	City of Montreal	3.000	01-Sep-2027	11 069	11 278	
42 302	City of Montreal	3.150	01-Sep-2028	42 063	42 563	

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December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>PROVINCIAL/MUNICIPAL (cont.)</b>						
1 286	City of Ottawa	4.462	18-Jul-2025	\$ 1 416	\$ 1 356	
1 040	City of Ottawa	4.990	28-Aug-2026	1 179	1 122	
13 200	City of Toronto	3.500	06-Dec-2021	13 725	13 621	
11 740	City of Toronto	3.500	02-Jun-2036	11 646	11 848	
5 050	First Nations Finance Authority	3.400	26-Jun-2024	5 209	5 213	
16 599	First Nations Finance Authority	3.050	01-Jun-2028	16 415	16 589	
12 322	Hospital for Sick Children	5.217	16-Dec-2049	13 599	15 926	
11 240	Hospital for Sick Children	3.416	07-Dec-2057	11 240	10 864	
5 060	McGill University	6.150	22-Sep-2042	7 020	7 047	
5 000	Municipal Finance Authority of British Columbia	3.750	26-Sep-2023	5 241	5 269	
33 717	Ontario Electricity Financial Corp.	8.500	26-May-2025	48 025	44 993	
57 493	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	79 547	78 299	
16 908	Ontario School Boards Financing Corp.	5.900	11-Oct-2027	19 946	19 045	
13 615	OPB Finance Trust	2.980	25-Jan-2027	13 616	13 651	
74 422	Province of Alberta	2.200	01-Jun-2026	71 128	71 606	
7 736	Province of Alberta	3.900	01-Dec-2033	8 452	8 407	
29 955	Province of Alberta	3.450	01-Dec-2043	33 305	30 734	
72 488	Province of Alberta	3.300	01-Dec-2046	75 733	72 449	
7 778	Province of Manitoba	4.050	05-Sep-2045	8 498	8 720	
92 922	Province of Manitoba	2.850	05-Sep-2046	85 560	84 459	
10 350	Province of New Brunswick	3.650	03-Jun-2024	11 484	10 892	
19 710	Province of New Brunswick	4.800	26-Sep-2039	25 638	23 832	
7 865	Province of New Brunswick	4.800	03-Jun-2041	9 525	9 576	
14 909	Province of New Brunswick	3.550	03-Jun-2043	14 436	15 230	
35 992	Province of New Brunswick	3.800	14-Aug-2045	38 406	38 380	
31 031	Province of Newfoundland and Labrador	3.300	17-Oct-2046	29 066	29 985	
18 811	Province of Ontario	3.150	02-Jun-2022	19 459	19 313	
14 334	Province of Ontario	2.850	02-Jun-2023	15 303	14 569	
72 446	Province of Ontario	2.600	08-Sep-2023	72 421	72 860	
141 090	Province of Ontario	3.500	02-Jun-2024	156 264	147 861	
87 030	Province of Ontario	2.600	02-Jun-2025	87 010	86 872	
91 874	Province of Ontario	8.500	02-Dec-2025	137 018	124 971	
33 120	Province of Ontario	2.400	02-Jun-2026	32 422	32 434	
79 384	Province of Ontario	2.600	02-Jun-2027	77 079	78 304	
56 401	Province of Ontario	2.900	02-Jun-2028	55 305	56 771	
190 837	Province of Ontario	6.200	02-Jun-2031	268 053	254 942	
166 825	Province of Ontario	5.600	02-Jun-2035	229 807	219 705	
3 508	Province of Ontario	4.700	02-Jun-2037	4 445	4 263	
163 682	Province of Ontario	4.600	02-Jun-2039	212 284	198 708	
2 110	Province of Ontario	4.650	02-Jun-2041	2 671	2 598	
211 912	Province of Ontario	3.500	02-Jun-2043	224 609	222 489	
10 360	Province of Ontario	3.450	02-Jun-2045	10 907	10 812	
63 864	Province of Ontario	2.900	02-Dec-2046	62 023	60 274	
7 821	Province of Ontario	2.800	02-Jun-2048	7 336	7 249	
178 147	Province of Ontario	2.900	02-Jun-2049	170 826	168 736	
45 077	Province of Quebec	9.375	16-Jan-2023	68 215	57 082	
1 600	Province of Quebec	3.000	01-Sep-2023	1 639	1 639	
17 146	Province of Quebec	2.750	01-Sep-2025	17 142	17 299	
83 615	Province of Quebec	8.500	01-Apr-2026	128 998	115 179	
475	Province of Quebec	2.500	01-Sep-2026	475	469	
47 161	Province of Quebec	2.750	01-Sep-2027	47 238	47 230	
25 723	Province of Quebec	2.750	01-Sep-2028	25 217	25 685	
60 063	Province of Quebec	6.000	01-Oct-2029	79 002	77 390	
5 925	Province of Quebec	5.750	01-Dec-2036	8 074	8 082	
4 571	Province of Quebec	5.000	01-Dec-2041	5 924	5 954	
12 775	Province of Quebec	3.500	01-Dec-2045	13 996	13 581	
22 850	Province of Quebec	3.500	01-Dec-2048	24 969	24 470	

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December 31, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>PROVINCIAL/MUNICIPAL (cont.)</b>						
16 187	Province of Saskatchewan	2.550	02-Jun-2026	\$ 16 267	\$ 15 982	
7 761	Province of Saskatchewan	6.400	05-Sep-2031	11 432	10 514	
22 439	Province of Saskatchewan	3.900	02-Jun-2045	27 375	24 903	
28 328	Province of Saskatchewan	2.750	02-Dec-2046	27 577	25 605	
5 990	Trillium Health Partners Volunteers	3.702	20-Dec-2058	5 990	5 965	
7 829	University of British Columbia	6.650	01-Dec-2031	10 481	10 467	
6 500	University of British Columbia	4.817	26-Jul-2035	7 638	7 609	
8 685	University of Toronto	4.937	16-Nov-2045	11 067	10 659	
31 712	York Region District School Board	5.531	13-May-2026	35 356	34 766	
8 804	York Region District School Board	4.616	21-Jun-2027	9 521	9 393	
3 050	York University	5.841	04-May-2044	4 196	4 135	
				<b>3 151 213</b>	<b>3 046 714</b>	<b>32.7</b>
<b>TOTAL CANADIAN BONDS</b>				<b>8 490 691</b>	<b>8 351 576</b>	<b>89.7</b>
<b>UNITED KINGDOM BONDS</b>						
24 400	BAA Funding Ltd. CAD	4.000	03-Jul-2019	24 682	24 607	
1 190	Heathrow Funding Ltd. CAD	3.000	17-Jun-2021	1 199	1 191	
15 539	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	15 595	15 608	
				<b>41 476</b>	<b>41 406</b>	<b>0.4</b>
<b>TOTAL UNITED KINGDOM BONDS</b>						
<b>UNITED STATES BONDS</b>						
28 720	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	27 724	27 284	
2 179	AT&T Inc. CAD	3.825	25-Nov-2020	2 206	2 212	
51 700	AT&T Inc. CAD	4.000	25-Nov-2025	51 585	51 548	
24 750	AT&T Inc. CAD	5.100	25-Nov-2048	24 623	23 945	
10 300	John Deere Financial Inc.	3.070	23-Jul-2021	10 297	10 378	
15 000	JPMorgan Chase & Co. CAD	3.190	05-Mar-2021	15 057	15 119	
18 036	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	17 532	18 018	
26 850	Molson Coors International LP CAD	2.750	18-Sep-2020	26 695	26 717	
8 350	The Walt Disney Co. CAD	2.758	07-Oct-2024	8 244	8 219	
28 170	United Parcel Service Inc. CAD	2.125	21-May-2024	28 046	26 868	
19 060	United States Treasury	3.125	15-May-2048	25 826	26 539	
44 926	Wells Fargo & Co. CAD	2.222	15-Mar-2021	44 113	44 189	
				<b>281 948</b>	<b>281 036</b>	<b>3.0</b>
<b>TOTAL UNITED STATES BONDS</b>				<b>8 814 115</b>	<b>8 674 018</b>	<b>93.1</b>
<b>TOTAL BONDS</b>						
<b>MORTGAGE-BACKED SECURITIES</b>						
3 573	Peoples Trust	4.200	01-Oct-2019	3 600	3 625	
				<b>3 600</b>	<b>3 625</b>	<b>-</b>
<b>TOTAL MORTGAGE-BACKED SECURITIES</b>						
<b>MORTGAGES</b>						
<b>CMHC Insured</b>						
54	5.040% Jan 01, 2019			54	54	
22 067	5.040% Apr 01, 2019			22 067	22 067	
458	2.980% Jul 01, 2019			458	459	
1 853	4.860% Jun 05, 2020			1 879	1 910	
3 566	4.260% Nov 01, 2022			3 566	3 750	
7 941	3.160% Sep 05, 2024			7 951	7 866	
				<b>35 975</b>	<b>36 106</b>	<b>0.4</b>
<b>TOTAL MORTGAGES</b>				<b>35 975</b>	<b>36 106</b>	<b>0.4</b>



December 31, 2018

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
<b>SHORT-TERM INVESTMENTS<sup>†</sup></b>				
20 000	Alectra Inc.	\$ 19 972	\$ 19 972	
45 000	Bank of Montreal	44 937	44 937	
28 275	Bank of Nova Scotia	28 247	28 247	
19 825	Banner Trust	19 785	19 785	
21 800	Canadian Utilities Ltd.	21 765	21 765	
27 250	Caterpillar Financial Services Ltd.	27 217	27 217	
10 000	Central 1 Credit Union	9 979	9 979	
550	Clarity Trust	549	549	
21 800	Enbridge Pipelines Inc.	21 754	21 754	
6 000	FortisBC Energy Inc.	5 992	5 992	
11 175	Greater Toronto Airports Authority	11 154	11 154	
50 000	HSBC Bank Canada	49 918	49 918	
87 125	Hydro One Inc.	86 945	86 945	
9 200	Inter Pipeline Corridor Inc.	9 183	9 183	
36 895	Merit Trust - Senior Notes	36 860	36 860	
10 850	National Bank of Canada	10 830	10 830	
3 900	Nova Scotia Power Inc.	3 892	3 892	
21 250	Prime Trust - Senior Notes	21 236	21 236	
55 825	SAFE Trust - Series 1996-1	55 681	55 681	
27 375	STABLE Trust	27 324	27 324	
39 405	SURE Trust	39 327	39 327	
7 625	TMX Group Ltd.	7 611	7 611	
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>560 158</b>	<b>560 158</b>	<b>6.0</b>
<b>TOTAL INVESTMENTS</b>		<b>9 413 848</b>	<b>9 273 907</b>	<b>99.5</b>
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>		<b>-</b>	<b>(490)</b>	<b>-</b>
<b>TOTAL PORTFOLIO</b>		<b>\$ 9 413 848</b>	<b>9 273 417</b>	<b>99.5</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>45 366</b>	<b>0.5</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 9 318 783</b>	<b>100.0</b>

**SCHEDULE A**

**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Loss
Bought CAD 21 147 Sold USD 15 876 @ 1.3320	15-Mar-2019	\$ (490)
<b>TOTAL FOREIGN EXCHANGE</b>		<b>\$ (490)</b>

All counterparties have a credit rating of at least A.

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.97% to 2.27% and mature between January 3, 2019 and March 21, 2019.



### Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
<b>ASSETS</b>		
Investments at fair value	\$ 9 273 907	\$ 9 695 057
Cash	7 162	12 668
Due from investment dealers	13 867	–
Subscriptions receivable	1 957	6 242
Dividends receivable, interest accrued and other assets	46 438	43 803
<b>TOTAL ASSETS</b>	<b>9 343 331</b>	<b>9 757 770</b>
<b>LIABILITIES</b>		
Due to investment dealers	12 893	–
Redemptions payable	10 643	13 196
Unrealized loss on foreign exchange contracts	490	–
Accounts payable and accrued expenses	522	602
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>24 548</b>	<b>13 798</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 9 318 783</b>	<b>\$ 9 743 972</b>
Investments at cost	\$ 9 413 848	\$ 9 801 579
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 60 323</b>	<b>\$ 80 316</b>
<b>ADVISOR SERIES</b>	<b>\$ 28 621</b>	<b>\$ 38 041</b>
<b>SERIES D</b>	<b>\$ 483 795</b>	<b>\$ 548 269</b>
<b>SERIES F</b>	<b>\$ 67 107</b>	<b>\$ 94 337</b>
<b>SERIES O</b>	<b>\$ 8 678 937</b>	<b>\$ 8 983 009</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 10.11</b>	<b>\$ 10.27</b>
<b>ADVISOR SERIES</b>	<b>\$ 10.12</b>	<b>\$ 10.28</b>
<b>SERIES D</b>	<b>\$ 10.02</b>	<b>\$ 10.19</b>
<b>SERIES F</b>	<b>\$ 10.07</b>	<b>\$ 10.24</b>
<b>SERIES O</b>	<b>\$ 10.04</b>	<b>\$ 10.20</b>

### Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 295 906	\$ 296 929
Derivative income	(160)	4 775
Net realized gain (loss) on investments	(124 149)	(59 472)
Change in unrealized gain (loss) on investments	(33 909)	22 160
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>137 688</b>	<b>264 392</b>
Securities lending revenue (see note 7 in the generic notes)	1 176	69
Net gain (loss) on foreign cash balances	1 229	1 211
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>2 405</b>	<b>1 280</b>
<b>TOTAL INCOME (LOSS)</b>	<b>140 093</b>	<b>265 672</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	3 767	4 488
Administration fees	2 118	2 229
Independent Review Committee costs	2	3
GST/HST	608	688
<b>TOTAL EXPENSES</b>	<b>6 495</b>	<b>7 408</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 133 598</b>	<b>\$ 258 264</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 135</b>	<b>\$ 1 528</b>
<b>ADVISOR SERIES</b>	<b>\$ 59</b>	<b>\$ 701</b>
<b>SERIES D</b>	<b>\$ 4 022</b>	<b>\$ 11 817</b>
<b>SERIES F</b>	<b>\$ 551</b>	<b>\$ 2 142</b>
<b>SERIES O</b>	<b>\$ 128 831</b>	<b>\$ 242 076</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.02</b>	<b>\$ 0.17</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.02</b>	<b>\$ 0.17</b>
<b>SERIES D</b>	<b>\$ 0.08</b>	<b>\$ 0.21</b>
<b>SERIES F</b>	<b>\$ 0.07</b>	<b>\$ 0.22</b>
<b>SERIES O</b>	<b>\$ 0.15</b>	<b>\$ 0.27</b>



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

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 133 598	\$ 258 264
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	(398)
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	124 149	59 472
Change in unrealized loss (gain) on investments	33 909	(22 160)
(Increase) decrease in accrued receivables	(2 635)	8 036
Increase (decrease) in accrued payables	(80)	(62)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(17 879 484)	(14 825 508)
Proceeds from sale and maturity of investments	18 142 092	15 459 625
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>551 549</b>	<b>937 269</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	1 604 127	1 516 392
Cash paid on redemption of redeemable units	(2 155 322)	(2 444 793)
Distributions paid to holders of redeemable units	(5 860)	(7 342)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (557 055)</b>	<b>\$ (935 743)</b>
Net increase (decrease) in cash for the period	(5 506)	1 526
Cash (bank overdraft), beginning of period	12 668	11 142
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 7 162</b>	<b>\$ 12 668</b>
Interest received (paid)	\$ 293 271	\$ 304 567
Dividends received, net of withholding taxes	\$ –	\$ –



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 80 316	\$ 101 217	\$ 38 041	\$ 46 859	\$ 548 269	\$ 600 761	\$ 94 337	\$ 104 591
<b>INCREASE (DECREASE) IN NAV</b>	<b>135</b>	<b>1 528</b>	<b>59</b>	<b>701</b>	<b>4 022</b>	<b>11 817</b>	<b>551</b>	<b>2 142</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	2 183	3 780	2 542	4 783	21 857	23 330	10 779	15 181
Reinvestments of distributions to holders of redeemable units	1 321	1 694	600	744	11 791	13 151	1 756	2 081
Redemption of redeemable units	(22 234)	(26 113)	(11 963)	(14 227)	(89 543)	(86 827)	(38 145)	(27 062)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(18 730)</b>	<b>(20 639)</b>	<b>(8 821)</b>	<b>(8 700)</b>	<b>(55 895)</b>	<b>(50 346)</b>	<b>(25 610)</b>	<b>(9 800)</b>
Distributions from net income	(1 398)	(1 790)	(658)	(819)	(12 601)	(13 963)	(2 171)	(2 596)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(1 398)</b>	<b>(1 790)</b>	<b>(658)</b>	<b>(819)</b>	<b>(12 601)</b>	<b>(13 963)</b>	<b>(2 171)</b>	<b>(2 596)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(19 993)</b>	<b>(20 901)</b>	<b>(9 420)</b>	<b>(8 818)</b>	<b>(64 474)</b>	<b>(52 492)</b>	<b>(27 230)</b>	<b>(10 254)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 60 323</b>	<b>\$ 80 316</b>	<b>\$ 28 621</b>	<b>\$ 38 041</b>	<b>\$ 483 795</b>	<b>\$ 548 269</b>	<b>\$ 67 107</b>	<b>\$ 94 337</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 8 983 009	\$ 9 531 479	\$ 9 743 972	\$ 10 384 907
<b>INCREASE (DECREASE) IN NAV</b>	<b>128 831</b>	<b>242 076</b>	<b>133 598</b>	<b>258 264</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 581 142	1 475 652	1 618 503	1 522 726
Reinvestments of distributions to holders of redeemable units	269 788	264 645	285 256	282 315
Redemption of redeemable units	(2 009 545)	(2 260 354)	(2 171 430)	(2 414 583)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(158 615)</b>	<b>(520 057)</b>	<b>(267 671)</b>	<b>(609 542)</b>
Distributions from net income	(274 288)	(270 489)	(291 116)	(289 657)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(274 288)</b>	<b>(270 489)</b>	<b>(291 116)</b>	<b>(289 657)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(304 072)</b>	<b>(548 470)</b>	<b>(425 189)</b>	<b>(640 935)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 8 678 937</b>	<b>\$ 8 983 009</b>	<b>\$ 9 318 783</b>	<b>\$ 9 743 972</b>





December 31, 2018

The Fund was closed to new investors effective July 4, 2016 and reopened to new investors effective March 8, 2019.

**General information (see note 1 in the generic notes)**

The investment objective of the Fund is to provide investors with relatively high yields and stability of capital by investing in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations.

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

**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2018	December 31 2017
AAA	27.8	44.8
AA	38.5	28.9
A	18.5	15.8
BBB	14.2	9.3
BB	0.4	0.5
Unrated*	0.6	0.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\* Mortgages, which represent 71.2% (December 31, 2017 – 84.0%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. As at December 31, 2018 and 2017, there were no mortgage payments in arrears for more than 90 days.

**Concentration risk (%)**

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

Investment mix	December 31 2018	December 31 2017
Corporate Bonds	35.3	25.6
Provincial Bonds	31.8	29.0
Federal Bonds	25.1	40.0
Municipal Bonds	0.9	1.8
Mortgages	0.4	0.6
Mortgage-Backed Bonds	–	0.1
Cash/Other	6.5	2.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Interest rate risk (%)**

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2018	December 31 2017
Less than 1 year	3.5	2.8
1 – 5 years	37.3	37.0
5 – 10 years	24.0	29.3
> 10 years	35.2	30.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

As at December 31, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.3% (December 31, 2017 – 7.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Underlying funds</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	8 677 643	36 106	8 713 749
Short-term investments	–	560 158	–	560 158
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(490)	–	(490)
<b>Total financial instruments</b>	–	9 237 311	36 106	9 273 417
<b>% of total portfolio</b>	–	99.6	0.4	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Underlying funds</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	9 405 140	58 300	9 463 440
Short-term investments	–	231 617	–	231 617
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	–	9 636 757	58 300	9 695 057
<b>% of total portfolio</b>	–	99.4	0.6	100.0



December 31, 2018

During the periods ended December 31, 2018 and 2017, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2018	December 31 2017
Balance at beginning of period	58 300	53 788
Net purchases	42 812	28 609
Net sales	(64 333)	(22 128)
Net transfers in (out)	–	–
Realized gains (losses)	(147)	(5)
Change in unrealized gains (losses)	(526)	(1 964)
Balance at end of period	36 106	58 300
Change in unrealized gains (losses) for Level 3 assets held at end of period	(668)	(1 964)

The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at December 31, 2018, a 10% increase or decrease in the weighted average spread premium of 0.98% (December 31, 2017 – 0.97%), an unobservable input, would have increased or decreased the Fund's NAV respectively by approximately 0.0% (December 31, 2017 – 0.0%).

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

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

	Management fees	Administration fees
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series D	0.50%*	0.05%
Series F	0.40%	0.05%
Series O	n/a <sup>†</sup>	0.02%

\* Management fees are calculated at the annual rate of 0.50% of the Series D NAV, provided that the aggregate of all fees and other expenses (excluding the taxes included therein and commissions incurred in connection with portfolio transactions) paid or payable by Series D does not exceed an amount computed with reference to the following percentages of the NAV of Series D.

NAV of Series D	Percentage
Up to \$1 000 000	2.00
From \$1 000 001 up to \$3 000 000	1.75
From \$3 000 001 up to \$5 000 000	1.50
From \$5 000 001 up to \$10 000 000	1.25
From \$10 000 001 up to \$100 000 000	1.00
Over \$100 000 000	0.75

<sup>†</sup> Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

### 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 2018	December 31 2017
<b>Units held</b>		
Series A	61	60
Advisor Series	122	120
Series D	11	11
Series F	64	63
<b>Value of all units</b>	<b>3</b>	<b>3</b>

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

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	183 286
Non-capital losses	–



December 31, 2018

### Redeemable units (000s)

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

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

	2018	2017
--	------	------

#### Series A

Opening units	7 818	9 809
Issued number of units	216	365
Reinvested number of units	130	164
Redeemed number of units	(2 197)	(2 520)
Ending number of units	5 967	7 818

#### Advisor Series

Opening units	3 701	4 539
Issued number of units	251	461
Reinvested number of units	59	72
Redeemed number of units	(1 182)	(1 371)
Ending number of units	2 829	3 701

#### Series D

Opening units	53 814	58 716
Issued number of units	2 182	2 270
Reinvested number of units	1 173	1 288
Redeemed number of units	(8 907)	(8 460)
Ending number of units	48 262	53 814

#### Series F

Opening units	9 215	10 172
Issued number of units	1 067	1 464
Reinvested number of units	174	203
Redeemed number of units	(3 793)	(2 624)
Ending number of units	6 663	9 215

#### Series O

Opening units	880 544	930 497
Issued number of units	157 288	143 617
Reinvested number of units	26 815	25 885
Redeemed number of units	(200 059)	(219 455)
Ending number of units	864 588	880 544

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

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

	December 31 2018	December 31 2017
Fair value of securities loaned	1 654 430	1 239 300
Fair value of collateral received	1 692 384	1 264 832

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.

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	1 568	100	92	100
RBC IS (paid)	(392)	(25)	(23)	(25)
Tax withheld	—	—	—	—
Fund revenue	1 176	75	69	75

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

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

	December 31 2018	December 31 2017
BonaVista Balanced Fund	0.1	0.1
BonaVista Private Balanced Fund	0.1	0.1
Phillips, Hager & North Balanced Fund	3.9	3.6
Phillips, Hager & North Balanced Pension Trust	4.9	4.8
Phillips, Hager & North LifeTime 2015 Fund	—	—
Phillips, Hager & North LifeTime 2020 Fund	—	—
RBC Select Conservative Portfolio	0.4	0.8
RBC Select Very Conservative Portfolio	18.8	19.0
Total	28.2	28.4

### Offsetting financial assets and liabilities (\$000s) (see note 3 in the generic notes)

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. "Net amount" represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	—	(490)
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	—	(490)
Related amounts not set-off	—	—
Collateral (received) pledged	—	—
Net amount	—	(490)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	—	—
Amounts set-off in the Statements of Financial Position	—	—
Net amounts presented in the Statements of Financial Position	—	—
Related amounts not set-off	—	—
Collateral (received) pledged	—	—
Net amount	—	—

December 31, 2018

## 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 11, 2019.

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 DZ, Series F, Series FT5, Series FT8, Series I, Series N 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 and Series DZ units have no sales charges and have lower fees than Series A units. Series D units and Series DZ 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 N units are only available to related mutual funds.

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

The information provided in these financial statements and notes thereto is as at December 31, 2018 and December 31, 2017, as applicable, and for the 12-month periods ended December 31, 2018 and December 31, 2017, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

## 3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). The significant accounting policies of the Funds, which are investment entities, are as follows:

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

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the current or comparative period. The Funds’ financial assets previously designated at FVTPL under IAS 39 Financial Instruments are now mandatorily classified and measured at

December 31, 2018

FVTPL. The Funds' financial assets and liabilities previously classified as FVTPL under the held for trading category continue to be classified as held for trading and measured at FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost. There was no material impact on the adoption of the new impairment model.

In addition, certain comparative figures in the Statements of Comprehensive Income have been revised to meet the disclosure requirements on initial application of IFRS 9. Amounts previously recorded as "Net gain (loss) on foreign currencies and other net assets," "Other derivatives" and "Net gain (loss) from futures contracts" are now recorded as "Derivative income." And certain amounts previously recorded as "Other income (loss)" are now recorded as "Income from investment trusts."

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

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

**Offsetting Financial Assets and Liabilities** In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

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

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

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

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

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



December 31, 2018

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

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

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

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

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

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

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

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

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

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

*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* – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

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.

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in “Net realized gain (loss) on investments.”

December 31, 2018

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

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

*Total Return Swaps* – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

*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 “Derivative income” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

*Credit Default Swap Contracts* – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

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

*Fair Valuation of Investments* – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. 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.



December 31, 2018

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

**Foreign Exchange** The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (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. Short-Term Corporate Bond Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, RBC \$U.S. Strategic Income Bond Fund, BlueBay Emerging Markets Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), 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. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income” in the Statements of Comprehensive Income.

**Functional Currency** The Funds, 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. Short-Term Corporate Bond Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, RBC \$U.S. Strategic Income Bond Fund, BlueBay Emerging Markets Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), 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 NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series' proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

**Investment Transactions** Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, 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. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

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

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

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

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

#### 4. Critical accounting judgments and estimates

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

##### ***Fair value measurement of securities not quoted in an active market***

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

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

#### 5. Financial instrument risk and capital management

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

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its

investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

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

##### ***Liquidity risk***

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

##### ***Credit risk***

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the

creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

**Concentration risk**

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

**Interest rate risk**

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

**Currency risk**

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

**Other price risk**

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

**6. Taxes**

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

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

**7. Securities lending revenue**

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

**8. Administrative and other related-party transactions****Manager and Portfolio Manager**

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

December 31, 2018

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

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

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying mutual funds"). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund's ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange

spread when unitholders switch between series of funds denominated in different currencies. The Funds also maintain bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

#### **Sub-Advisors**

RBC Global Asset Management (U.S.) Inc. 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 and Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund (for a portion of the Fund). RBC Global Asset Management (UK) Limited is the sub-advisor for the RBC Global Bond Fund (for a portion of the Fund), RBC Global Corporate Bond Fund (for a portion of the 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 International Dividend Growth 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 Vision Global Equity Fund, RBC Vision Fossil Fuel Free Global Equity Fund, Phillips, Hager & North Overseas Equity Fund and Phillips, Hager & North Global Equity Fund. RBC Investment Management (Asia) Limited 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 Vision Balanced Fund (for the Asian equity portion of the Fund), RBC International Dividend Growth Fund (for the 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 and RBC Japanese Equity Fund. BlueBay Asset Management LLP 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 Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada) and BlueBay \$U.S. Global Convertible Bond Fund (Canada).

The sub-advisors earn a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisors are paid by the manager from the management fee paid by the Funds.

#### **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. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

#### **Distributors**

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and PH&N IF are principal distributors of, or may 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. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

#### **Registrars**

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

#### **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.

#### **Securities Lending Agent**

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

#### **Other Related-Party Transactions**

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