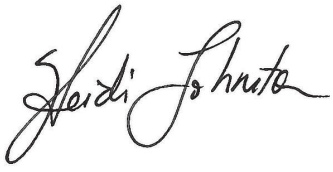
The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these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

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

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.



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

March 11, 2020

To the Unitholders and Trustee of

Phillips, Hager & North Institutional S.T.I.F.
Phillips, Hager & North Short Investment Grade Corporate Bond Trust
Phillips, Hager & North Municipal Plus Bond Fund
Phillips, Hager & North Mortgage Pension Trust
Phillips, Hager & North Investment Grade Corporate Bond Trust
Phillips, Hager & North U.S. Investment Grade Corporate Bond Trust (CAD Hedged)
Phillips, Hager & North PRisM – Short
Phillips, Hager & North Enhanced Total Return Bond Fund
Phillips, Hager & North Corporate Bond Trust
Phillips, Hager & North Enhanced Corporate Bond Trust
Phillips, Hager & North Private Placement Corporate Debt Fund
Phillips, Hager & North Core Plus Bond Fund
Phillips, Hager & North Alpha Plus Bond Fund
Phillips, Hager & North Long Municipal Plus Bond Fund
Phillips, Hager & North Long Investment Grade Corporate Bond Trust
Phillips, Hager & North Long Corporate Bond Trust
Phillips, Hager & North PRisM Long Corporate Bond Trust
Phillips, Hager & North Long Mortgage Pension Trust
Phillips, Hager & North Strategic Mortgage Fund
Phillips, Hager & North High Yield Mortgage Fund
Phillips, Hager & North Infrastructure Debt Fund
Phillips, Hager & North Long Bond Pension Trust
Phillips, Hager & North Enhanced Long Bond Pension Trust
Phillips, Hager & North Long Core Plus Bond Fund
Phillips, Hager & North PRisM – Mid
Phillips, Hager & North PRisM – Long
Phillips, Hager & North 20+ Strip Fund
Phillips, Hager & North Custom Interest Rate Overlay Fund
Phillips, Hager & North Custom Interest Rate Completion Fund
Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund I
Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund II
Canadian Custom Long Term Fixed Income Fund
Phillips, Hager & North Synthetic Floating Rate Fund
Phillips, Hager & North PRisM Levered Government Bond Fund
BlueBay High Grade CLO Fund (CAD Hedged)
BlueBay Canadian Institutional Global High Yield Bond Fund
BonaVista Private Balanced Fund
BonaVista Balanced Fund
Phillips, Hager & North PRisM Balanced Fund
Phillips, Hager & North Enhanced Long Government Bond Fund
Phillips, Hager & North Enhanced PRisM Long Fund
RBC Total Return Growth Fund
Phillips, Hager & North Absolute Return Fund
RBC Multi-Strategy Alpha Fund
RBC QUBE 120/20 Canadian Equity Fund
RBC QUBE Market Neutral Canadian Equity Fund
RBC Fundamental Minimum Volatility Canadian Equity Fund
BonaVista Canadian Equity Fund
Phillips, Hager & North Institutional Gold & Precious Metals Fund
RBC Canadian Preferred Share Fund
RBC Alpha Plus U.S. Equity Fund
RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
RBC QUBE Market Neutral World Equity Fund
RBC Market Neutral Equity Fund
RBC QUBE Stable Dividend Global Equity Fund (CAD Hedged)
RBC QUBE Custom Global Equity Fund

(individually, a Fund)

Our opinion

In our opinion, the accompanying December 31, 2019 financial statements of each Fund 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 Fund 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 Fund 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.

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 Fund 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 Fund 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 Fund 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 Fund.

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 Fund.

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 Fund, 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 Fund.
- 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 Fund 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 Fund 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, 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, 2020

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH ABSOLUTE RETURN FUND

December 31, 2019

Holdings	Security	Cost	Fair Value	% of Net Assets
INVESTMENTS – LONG POSITIONS				
CANADIAN EQUITIES				
Communication Services				
2 276 142	Aimia Inc.	$ 8 524	$ 8 194	
2 254 303	Aimia Inc., Preferred Series 1, 6.500%	38 585	38 041	
1 750 882	Aimia Inc., Preferred Series 2, 4.270%	29 374	30 273	
2 323 086	Aimia Inc., Preferred Series 3, 6.250%	44 346	45 532	
		120 829	122 040	**8.0**
Industrials				
15 500 000	SNC-Lavalin Group Inc.	497 987	464 225	
		497 987	464 225	**30.4**
TOTAL CANADIAN EQUITIES		618 816	586 265	**38.4**

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
21 995	Atlantic Power Corp., Convertible	6.000	31-Jan-2025	$ 21 985	$ 23 093	
60 000	Atlantic Power LP	5.950	23-Jun-2036	38 723	53 810	
26 646	AutoCanada Inc.	5.625	25-May-2021	25 644	25 985	
145 000	Baytex Energy Corp. USD	5.125	01-Jun-2021	165 347	186 953	
26 000	Brookfield Residential Properties Inc. USD	6.125	01-Jul-2022	34 892	34 353	
10 000	Chemtrade Logistics Income Fund, Convertible	5.000	31-Aug-2023	9 952	9 335	
8 500	Crew Energy Inc.	6.500	14-Mar-2024	7 475	7 090	
38 000	Inter Pipeline Ltd.	6.625	19-Nov-2079	38 000	38 358	
10 000	Morguard Corp.	4.204	27-Nov-2024	10 000	10 042	
144 000	Paramount Resources Ltd. USD	6.875	30-Jun-2023	196 048	192 912	
4 600	Parkland Fuel Corp.	5.500	28-May-2021	4 676	4 672	
17 500	Parkland Fuel Corp.	6.000	21-Nov-2022	17 771	17 865	
TOTAL CANADIAN BONDS				570 513	604 468	**39.6**
UNITED STATES BONDS						
107 000	Icahn Enterprises LP	5.875	01-Feb-2022	143 753	139 366	
106 000	Resolute Forest Products Inc.	5.875	15-May-2023	139 543	139 252	
92 000	XPO Logistics Inc.	6.500	15-Jun-2022	125 883	121 949	
TOTAL UNITED STATES BONDS				409 179	400 567	**26.3**
TOTAL BONDS				979 692	1 005 035	**65.9**
TOTAL INVESTMENTS – LONG POSITIONS				1 598 508	1 591 300	**104.3**

Holdings	Security	Cost	Fair Value	% of Net Assets
INVESTMENTS – SECURITIES SOLD SHORT				
CANADIAN EQUITIES				
Utilities				
(1 100 000)	Atlantic Power Corp.	$ (3 099)	$ (3 322)	
TOTAL INVESTMENTS – SECURITIES SOLD SHORT		(3 099)	(3 322)	**(0.2)**
TOTAL INVESTMENTS		1 595 409	1 587 978	**104.1**
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	67 816	**4.4**
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(59 649)	**(3.9)**
TOTAL PORTFOLIO		$ 1 595 409	1 596 145	**104.6**
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(70 307)	**(4.6)**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 1 525 838	**100.0**

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

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 118 620 Sold USD 90 000 @ 1.3180	17-Jan-2020	$ 1 750
Bought CAD 288 860 Sold USD 220 000 @ 1.3130	21-Jan-2020	3 179
Bought CAD 339 300 Sold USD 260 000 @ 1.3050	29-Jan-2020	1 677
Bought CAD 237 169 Sold USD 180 000 @ 1.3176	07-Feb-2020	3 442
Bought CAD 372 445 Sold USD 280 000 @ 1.3302	26-Feb-2020	8 921
Bought CAD 843 026 Sold USD 635 000 @ 1.3276	28-Feb-2020	18 619
Bought CAD 356 107 Sold USD 270 000 @ 1.3189	05-Mar-2020	5 581
Bought CAD 469 665 Sold USD 355 000 @ 1.3230	10-Mar-2020	8 794
Bought CAD 661 250 Sold USD 500 000 @ 1.3225	11-Mar-2020	12 138
Bought CAD 171 301 Sold USD 130 000 @ 1.3177	12-Mar-2020	2 532
Bought CAD 85 565 Sold USD 65 000 @ 1.3164	23-Mar-2020	1 183
		$ 67 816

Contracts	Maturity Date	Unrealized Loss
Bought USD 475 000 Sold CAD 631 491 @ 0.7522	03-Jan-2020	$ (14 680)
Bought USD 370 000 Sold CAD 491 878 @ 0.7522	08-Jan-2020	(11 414)
Bought USD 425 000 Sold CAD 565 633 @ 0.7514	09-Jan-2020	(13 749)
Bought USD 85 000 Sold CAD 113 178 @ 0.7510	10-Jan-2020	(2 801)
Bought USD 290 000 Sold CAD 378 763 @ 0.7656	27-Jan-2020	(2 184)
Bought USD 220 000 Sold CAD 289 520 @ 0.7599	03-Feb-2020	(3 845)
Bought USD 180 000 Sold CAD 237 186 @ 0.7589	10-Feb-2020	(3 464)
Bought USD 145 000 Sold CAD 191 705 @ 0.7564	12-Feb-2020	(3 432)
Bought USD 140 000 Sold CAD 185 836 @ 0.7534	02-Mar-2020	(4 080)
		$ (59 649)
TOTAL FOREIGN EXCHANGE		$ 8 167

All counterparties have a credit rating of at least A.

PHILLIPS, HAGER & NORTH ABSOLUTE RETURN FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2019	December 31 2018
ASSETS		
Investments at fair value	**$ 1 591 300**	$ 2 462 057
Due from investment dealers	**–**	379 808
Subscriptions receivable	**498**	186
Unrealized gain on foreign exchange contracts	**67 816**	33 184
Dividends receivable, interest accrued and other assets	**8 352**	31 617
TOTAL ASSETS	**1 667 966**	2 906 852
LIABILITIES		
Bank overdraft	**57 254**	715 512
Investments in securities sold short	**3 322**	388 643
Stock loan fee payable	**340**	153
Due to investment dealers	**–**	11 126
Redemptions payable	**16 968**	3 293
Unrealized loss on foreign exchange contracts	**59 649**	60 270
Dividends payable on short sales	**–**	1 985
Distributions payable	**3 484**	6 710
Performance fees payable	**347**	5 098
Accounts payable and accrued expenses	**764**	1 335
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**142 128**	1 194 125
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 1 525 838**	$ 1 712 727
Investments at cost	**$ 1 595 409**	$ 1 985 968
NAV		
SERIES A	**$ 132 680**	$ 161 461
SERIES F	**$ 299 647**	$ 336 062
SERIES O	**$ 921 832**	$ 985 781
SERIES P	**$ 171 679**	$ 229 423
NAV PER UNIT		
SERIES A	**$ 11.94**	$ 12.98
SERIES F	**$ 9.85**	$ 10.73
SERIES O	**$ 11.89**	$ 12.94
SERIES P	**$ 8.94**	$ 9.73

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2019	2018
INCOME (see note 3 in the generic notes)		
Dividends	**$ 54 550**	$ 45 754
Dividends on short sales	**(12 551)**	(3 259)
Interest for distribution purposes	**105 801**	86 800
Income from investment trusts	**(10 608)**	5 561
Derivative income	**26 981**	(77 361)
Net realized gain (loss) on investments	**(100 408)**	105 118
Change in unrealized gain (loss) on investments	**(59 624)**	(32 188)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	**4 141**	130 425
Other income (loss)	**(4)**	–
Net gain (loss) on foreign cash balances	**(1 312)**	11 804
TOTAL OTHER INCOME (LOSS)	**(1 316)**	11 804
TOTAL INCOME (LOSS)	**2 825**	142 229
EXPENSES (see notes – Fund Specific Information)		
Management fees	**8 176**	8 936
Performance fees	**316**	4 637
Administration fees	**620**	666
Independent Review Committee costs	**1**	1
GST/HST	**817**	1 271
Transaction costs	**3 673**	3 818
Withholding tax	**–**	6 234
Stock loan fee	**3 477**	1 097
Interest on bank overdraft	**10 673**	3 272
TOTAL EXPENSES	**27 753**	29 932
INCREASE (DECREASE) IN NAV	**$ (24 928)**	$ 112 297
INCREASE (DECREASE) IN NAV		
SERIES A	**$ (3 565)**	$ 14 493
SERIES F	**$ (7 623)**	$ 17 163
SERIES O	**$ (5 812)**	$ 71 994
SERIES P	**$ (7 928)**	$ 8 647
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ (0.30)**	$ 0.85
SERIES F	**$ (0.24)**	$ 0.57
SERIES O	**$ (0.08)**	$ 0.99
SERIES P	**$ (0.32)**	$ 0.52

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ (24 928)**	$ 112 297
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Non-cash distributions from underlying funds	**–**	–
Net realized loss (gain) on investments	**100 408**	(101 351)
Change in unrealized loss (gain) on investments	**59 624**	32 188
(Increase) decrease in accrued receivables	**21 280**	(12 004)
Increase (decrease) in accrued payables	**(5 135)**	(345)
(Increase) decrease in margin accounts	**–**	–
Cost of investments purchased*	**(16 598 437)**	(14 391 088)
Proceeds from sale and maturity of investments*	**17 257 270**	13 680 032
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**810 082**	(680 271)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units*	**30 612**	98 041
Cash paid on redemption of redeemable units*	**(158 552)**	(115 817)
Distributions paid to holders of redeemable units	**(23 884)**	(38 092)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (151 824)**	$ (55 868)
Net increase (decrease) in cash for the period	**658 258**	(736 139)
Cash (bank overdraft), beginning of period	**(715 512)**	20 627
CASH (BANK OVERDRAFT), END OF PERIOD	**$ (57 254)**	$ (715 512)
Interest received (paid)†	**$ 128 818**	$ 72 790
Income from investment trusts received (paid)†	**$ (10 588)**	$ 6 082
Dividends received (paid), net of withholding taxes†	**$ 40 242**	$ 37 746

* Excludes in-kind transactions.
† Classified as part of operating activities.

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

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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series O	
	2019	2018	**2019**	2018	**2019**	2018
NAV AT BEGINNING OF PERIOD	**$ 161 461**	$ 235 887	**$ 336 062**	$ 324 336	**$ 985 781**	$ 938 125
INCREASE (DECREASE) IN NAV	**(3 565)**	14 493	**(7 623)**	17 163	**(5 812)**	71 994
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**2 541**	487	**2 806**	1 598	**15 293**	27 908
Reinvestments of distributions to holders of redeemable units	**6 584**	13 483	**18 851**	20 770	**58 607**	72 440
Redemption of redeemable units	**(24 989)**	(86 184)	**(29 554)**	(4 802)	**(57 584)**	(36 076)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(15 864)**	(72 214)	**(7 897)**	17 566	**16 316**	64 272
Distributions from net income	**(9 352)**	(14 153)	**(20 895)**	(17 654)	**(74 453)**	(73 072)
Distributions from net gains	**–**	(2 552)	**–**	(5 349)	**–**	(15 538)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(9 352)**	(16 705)	**(20 895)**	(23 003)	**(74 453)**	(88 610)
NET INCREASE (DECREASE) IN NAV	**(28 781)**	(74 426)	**(36 415)**	11 726	**(63 949)**	47 656
NAV AT END OF PERIOD	**$ 132 680**	$ 161 461	**$ 299 647**	$ 336 062	**$ 921 832**	$ 985 781

For the periods ended December 31 (see note 2 in the generic notes)	Series P		Total	
	2019	2018	**2019**	2018
NAV AT BEGINNING OF PERIOD	**$ 229 423**	$ 142 979	**$ 1 712 727**	$ 1 641 327
INCREASE (DECREASE) IN NAV	**(7 928)**	8 647	**(24 928)**	112 297
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**10 284**	77 796	**30 924**	107 789
Reinvestments of distributions to holders of redeemable units	**14 597**	11 919	**98 639**	118 612
Redemption of redeemable units	**(60 100)**	–	**(172 227)**	(127 062)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(35 219)**	89 715	**(42 664)**	99 339
Distributions from net income	**(14 597)**	(8 273)	**(119 297)**	(113 152)
Distributions from net gains	**–**	(3 645)	**–**	(27 084)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(14 597)**	(11 918)	**(119 297)**	(140 236)
NET INCREASE (DECREASE) IN NAV	**(57 744)**	86 444	**(186 889)**	71 400
NAV AT END OF PERIOD	**$ 171 679**	$ 229 423	**$ 1 525 838**	$ 1 712 727

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

The Fund was closed to new investors effective January 2011. The Fund's Series F units were re-opened to investors in April and May 2016. RBC GAM may maintain capacity for certain investors, including other related investment funds, that may invest in the Fund.

General information (see note 1 in the generic notes)

The Fund seeks to provide long-term capital growth and income, with low volatility of returns, by investing in a portfolio of equities and fixed-income securities, and through the use of a number of alternative investment strategies.

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

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 66.4% (December 31, 2018 – 86.1%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	**December 31 2019**	December 31 2018
A	**0.8**	–
BBB	**1.0**	11.4
BB	**49.8**	38.3
B	**44.9**	47.5
CCC	**2.6**	–
Unrated*	**0.9**	2.8
Total	**100.0**	100.0

* Unrated represents primarily income trusts which are not covered by rating agencies.

Concentration risk (%)

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

Investment mix	**December 31 2019**	December 31 2018
Canadian Bonds	**39.6**	50.6
Canadian Equities	**38.2**	40.5
United States Bonds	**26.3**	35.5
United States Equities	**–**	(5.5)
Cash/Other	**(4.1)**	(21.1)
Total	**100.0**	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 63.0% (December 31, 2018 – 72.0%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	**December 31 2019**	December 31 2018
Less than 1 year	**–**	11.4
1 – 5 years	**88.5**	83.9
5 – 10 years	**2.3**	1.5
> 10 years	**9.2**	3.2
Total	**100.0**	100.0

As at December 31, 2019, 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 0.0% (December 31, 2018 – 0.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of NAV)

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

Other price risk (% impact on NAV)

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

	December 31 2019	December 31 2018
S&P/TSX Capped Composite Total Return Index	**+ or - 0.2**	+ or - 0.6

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

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

The following is a summary of the inputs used as of December 31, 2019 and 2018.

December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities – long	**586 265**	**–**	**–**	**586 265**
Equities – short	**(3 322)**	**–**	**–**	**(3 322)**
Underlying funds – long	**–**	**–**	**–**	**–**
Underlying funds – short	**–**	**–**	**–**	**–**
Fixed-income and debt securities – long	**–**	**1 005 035**	**–**	**1 005 035**
Fixed-income and debt securities – short	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**67 816**	**–**	**67 816**
Derivatives – liabilities	**–**	**(59 649)**	**–**	**(59 649)**
Total financial instruments	**582 943**	**1 013 202**	**–**	**1 596 145**
% of total portfolio	**36.5**	**63.5**	**–**	**100.0**

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities – long	987 819	–	–	987 819
Equities – short	(388 643)	–	–	(388 643)
Underlying funds – long	–	–	–	–
Underlying funds – short	–	–	–	–
Fixed-income and debt securities – long	–	1 474 238	–	1 474 238
Fixed-income and debt securities – short	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	33 184	–	33 184
Derivatives – liabilities	–	(60 270)	–	(60 270)
Total financial instruments	599 176	1 447 152	–	2 046 328
% of total portfolio	29.3	70.7	–	100.0

For the periods ended December 31, 2019 and 2018, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Custodian

RBC Dominion Securities Inc. (an affiliate of RBC GAM), Scotia Capital Inc. and TD Securities Inc. are the custodians of the Fund, hold the assets of the Fund and earn a fee as the custodians, which is paid by the manager from the fixed administration fee paid by the Fund.

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	1.25%	0.04%
Series F	1.25%	0.04%
Series O	n/a*	0.04%
Series P	1.25%	0.04%

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

Performance fees

No performance fees are payable on Series A or Series O units. Series F and Series P performance fees are payable to RBC GAM and calculated at the annual rate of 15%, before GST/HST, of the positive amount of the annual return on the unitholder's investment in Series F and Series P.

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 2019	December 31 2018
Units held		
Series O	**213**	196
Value of all units	**3**	3

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

The non-capital and capital losses as at December 31, 2019 for the Fund were approximately:

Capital losses	86 670
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2019**	2018
Series A		
Opening units	**12 441**	17 844
Issued number of units	**207**	36
Reinvested number of units	**572**	1 062
Redeemed number of units	**(2 104)**	(6 501)
Ending number of units	**11 116**	12 441
Series F		
Opening units	**31 333**	29 660
Issued number of units	**305**	148
Reinvested number of units	**1 984**	1 972
Redeemed number of units	**(3 199)**	(447)
Ending number of units	**30 423**	31 333
Series O		
Opening units	**76 202**	71 172
Issued number of units	**1 342**	2 120
Reinvested number of units	**5 103**	5 700
Redeemed number of units	**(5 119)**	(2 790)
Ending number of units	**77 528**	76 202
Series P		
Opening units	**23 571**	14 414
Issued number of units	**1 092**	7 913
Reinvested number of units	**1 697**	1 244
Redeemed number of units	**(7 149)**	–
Ending number of units	**19 211**	23 571

Transaction costs ($000s except %)

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

	December 31 2019		December 31 2018	
	$	**%**	$	%
Total transaction costs	**3 673**	**100**	3 818	100
Related-party brokerage commissions*	**333**	**9**	530	14
Commission arrangements†	**–**	**–**	–	–

* See note 8 in the generic notes.

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

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

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

	December 31 2019	December 31 2018
RBC Multi-Strategy Alpha Fund	**11.3**	13.4

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, 2019	**Assets**	**Liabilities**
Gross amounts – assets (liabilities)	**67 816**	**(59 649)**
Amounts set-off in the Statements of Financial Position	**–**	**–**
Net amounts presented in the Statements of Financial Position	**67 816**	**(59 649)**
Related amounts not set-off	**(59 649)**	**59 649**
Collateral (received) pledged	**–**	**–**
Net amount	**8 167**	**–**

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	33 184	(60 270)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	33 184	(60 270)
Related amounts not set-off	(32 377)	32 377
Collateral (received) pledged	–	–
Net amount	807	(27 893)

1. The Funds

The funds ("Fund" or "Funds") are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 11, 2020.

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

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

2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2019 and December 31, 2018, as applicable, and for the 12-month periods ended December 31, 2019 and December 31, 2018, 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 accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies of the Funds are as follows:

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 fair value through profit and loss ("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.

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 as 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, debentures and other debt securities are valued at the mid 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 cost plus accrued interest, which approximates fair value.

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."

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 and realized gain or loss on bond forwards are included in "Derivative income" in the Statements of Comprehensive Income.

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.

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.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as "Interest for distribution purposes" in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as "Derivative income" in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

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.

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency 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. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Securities Sold Short – Certain Funds may enter into short sales transactions. Short sales are transactions in which a Fund sells an investment that it may not own. A Fund may make short sales of investments to (i) offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Fund, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When a Fund engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. Securities sold short are reflected as "Investments in securities sold short" on the Statements of Financial Position. A Fund will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Such fees payable, as applicable, are reflected as "Stock loan fee payable" on the Statement of Financial Position. The fee incurred is reflected as "Stock loan fee" on the Statement of Comprehensive Income. Dividends payable on such securities, as applicable, are reflected as "Dividends payable on short sales" on the Statements of Financial Position. Dividends on such investments, if any, are reflected as "Dividends on short sales" on the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are not exchange-traded 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.

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.

Margin Margin accounts represent margin deposits held with brokers in respect of futures contracts.

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. BlueBay Canadian Institutional Global High Yield Bond Fund, RBC Alpha Plus U.S. Equity Fund, RBC QUBE Market Neutral World Equity Fund and RBC Market Neutral Equity Fund (collectively, the "USD Funds") have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

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 USD Funds) 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.

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. Stock loan fees and 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:

AUD – Australian dollar
CAD – Canadian dollar
CHF – Swiss franc
DKK – Danish krone
EUR – Euro
GBP – Pound sterling
HKD – Hong Kong dollar
ILS – Israeli new shekel
JPY – Japanese yen
NOK – Norwegian krone
SEK – Swedish krona
SGD – Singapore dollar
USD – United States dollar

4. Critical accounting judgments and estimates

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

Fair value measurement of securities not quoted in an active market

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

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

5. Financial instrument risk and capital management

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

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

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

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

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund may be exposed to daily, weekly or monthly 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 addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. 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. The currency risk as disclosed in the Fund Specific Information in the Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

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.

Short sales expose a Fund to the risk that it will be required to cover its short position at a time when the investment has appreciated in value, thus resulting in losses to a Fund. A

gain, limited to the price at which a Fund sold the investment short, or a loss, unlimited in size, will be recognized upon the termination of a short sale. A Fund is also subject to the risk that it may be unable to reacquire an investment to terminate a short position except at a price substantially in excess of the last quoted price.

6. Taxes

The Funds qualify as 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. It is the intention of the Funds to pay out all net income and realized capital gains each year so that the Funds will not be subject to income taxes. Accordingly, no provision for income taxes is recorded.

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

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, 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). Effective January 1, 2020, RBC GAM, not the Funds, will be responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. The Funds will continue to be responsible for paying any Independent Review Committee costs that are not related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. 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 funds"). A Fund will not invest in units of an underlying 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 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 funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

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

Distributors

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

Sub-Advisors

BlueBay Asset Management LLP is the sub-advisor of the BlueBay High Grade CLO Fund (CAD Hedged) and the BlueBay Canadian Institutional Global High Yield Bond Fund.

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

Trustee

RBC GAM or RBC IS is the trustee of the Funds and holds title to the Funds' property on behalf of unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds 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 and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. 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

RBC GAM has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of the Funds. The Funds may rely on certain of this relief from time to time.

Related-Party Trading Activities

(a) trades in securities of Royal Bank;

(b) 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

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

The Independent Review Committee has, pursuant to its mandate to review certain transactions on behalf of the Funds, approved standing instructions in respect of the Related-Party Trading Activities. These standing instructions require that Related-Party Trading Activities 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.

9. Revision of comparative information

Where applicable, comparative figures on the Statements of Cash Flow have been revised. Amounts previously recorded as "Dividends received, net of withholding taxes" are now recorded as "Income received from investment trusts."