

PHILLIPS, HAGER & NORTH FUNDS

2012

Semi-Annual

Financial Statements

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

1

MONEY MARKET FUNDS

Phillips, Hager & North Canadian Money Market Fund

2

Phillips, Hager & North \$U.S. Money Market Fund

7

FIXED INCOME FUNDS

Phillips, Hager & North Short Term Bond & Mortgage Fund

12

Phillips, Hager & North Bond Fund

21

Phillips, Hager & North Community Values Bond Fund

31

Phillips, Hager & North Total Return Bond Fund

39

Phillips, Hager & North Inflation-Linked Bond Fund

49

Phillips, Hager & North High Yield Bond Fund

54

Phillips, Hager & North Short Inflation-linked Bond Fund

62

Phillips, Hager & North Long Inflation-linked Bond Fund

67

BALANCED FUNDS

Phillips, Hager & North Monthly Income Fund

72

Phillips, Hager & North Balanced Fund

84

Phillips, Hager & North Community Values Balanced Fund

93

CANADIAN EQUITY FUNDS

Phillips, Hager & North Dividend Income Fund

98

Phillips, Hager & North Canadian Equity Fund

104

Phillips, Hager & North Community Values
Canadian Equity Fund

109

Phillips, Hager & North Canadian Equity Value Fund

115

Phillips, Hager & North Canadian Equity Underlying Fund

121

Phillips, Hager & North Canadian Growth Fund

127

Phillips, Hager & North Canadian Income Fund

133

Phillips, Hager & North Vintage Fund

138

U.S. EQUITY FUNDS

Phillips, Hager & North U.S. Dividend Income Fund

143

Phillips, Hager & North U.S. Multi-Style
All-Cap Equity Fund

148

Phillips, Hager & North U.S. Equity Fund

157

Phillips, Hager & North Currency-Hedged
U.S. Equity Fund

163

Phillips, Hager & North U.S. Growth Fund

168

INTERNATIONAL AND GLOBAL EQUITY FUNDS

Phillips, Hager & North Overseas Equity Fund

173

Phillips, Hager & North Currency-Hedged
Overseas Equity Fund

180

Phillips, Hager & North Global Equity Fund

186

Phillips, Hager & North Community Values
Global Equity Fund

191

LIFETIME FUNDS

Phillips, Hager & North LifeTime 2015 Fund

198

Phillips, Hager & North LifeTime 2020 Fund

203

Phillips, Hager & North LifeTime 2025 Fund

208

Phillips, Hager & North LifeTime 2030 Fund

213

Phillips, Hager & North LifeTime 2035 Fund

218

Phillips, Hager & North LifeTime 2040 Fund

223

Phillips, Hager & North LifeTime 2045 Fund

228

BONAVISTA INVESTMENT FUNDS

BonaVista Global Balanced Fund

233

BonaVista Canadian Equity Value Fund

240

GENERIC NOTES TO FINANCIAL STATEMENTS

245

THE ROLE OF THE BOARD OF GOVERNORS

250

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Inside Back Cover

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

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada (and they include certain amounts that are based on estimates and judgements). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

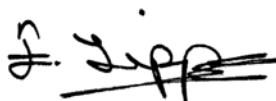
An advisory Board of Governors of the Funds was established specifically to provide advice to RBC GAM regarding conflicts of interest in mutual fund management. In addition to the regulatory requirements pursuant to the provisions of *National Instrument 81-107, Independent Review Committee*, the Board of Governors and its committees have been asked by RBC GAM to maintain their important roles of providing advice on other issues relating to the management of the Funds.

Although the Board of Directors of RBC GAM is solely responsible for approving the financial statements and overseeing management's financial reporting responsibilities, the Financial Advisory Committee of the Board of Governors provides advice to the Board of Governors and RBC GAM concerning financial reporting, the audit process and internal controls.



John S. Montalbano, CFA

Chief Executive Officer
RBC Global Asset Management Inc.



Frank Lipka

Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.

August 8, 2012

Unaudited Semi-Annual Financial Statements

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Funds. The external auditors will be auditing the annual financial statements of the Funds in accordance with Canadian generally accepted auditing standards.

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

PHILLIPS, HAGER & NORTH CANADIAN MONEY MARKET FUND

June 30, 2012

Par Value	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
\$ 114 325	Bank of Montreal	\$ 113 896	
95 860	Bank of Nova Scotia	95 623	
146 725	Canadian Imperial Bank of Commerce	145 898	
75 280	HSBC Bank Canada	75 146	
16 330	National Bank of Canada	16 315	
		446 878	26.9
COMMERCIAL PAPER			
81 920	Bay Street Funding Trust - Class A	81 677	
48 725	Bell Aliant Regional Communications	48 679	
49 000	Brookfield Asset Management Inc., Class A	48 855	
4 050	Caisse Centrale Desjardins	4 039	
82 000	Canadian Master Trust - Series A	81 740	
43 100	Cenovus Energy Inc.	43 058	
75 850	Central 1 Credit Union	75 628	
82 000	Darwin Receivables Trust - Senior Notes	81 615	
43 250	Enbridge Inc.	43 211	
82 545	Fusion Trust	82 082	
49 290	Inter Pipeline Fund	49 133	
11 600	King Street Funding Trust	11 589	
82 070	Merit Trust - Senior Notes	81 818	
82 200	Prime Trust - Senior Notes	81 756	
4 825	PSP Capital Inc.	4 812	
82 195	Reliant Trust	81 856	
38 000	Ridge Trust	37 848	
22 200	SAFE Trust - Series 1996-1	22 132	
35 200	SOUND Trust	35 094	
63 675	SUMMIT Trust	63 434	
45 075	TELUS Corp.	44 939	
23 605	TransCanada PipeLines Ltd.	23 548	
82 050	Zeus Receivables Trust - Senior Notes	81 723	
		1 210 266	73.0
TOTAL INVESTMENTS*		1 657 144	99.9
OTHER NET ASSETS		1 661	0.1
NET ASSETS		\$ 1 658 805	100.0

* Investments, which are grouped by issuer, earn interest at rates ranging from 1.11% to 1.45% and mature between July 3, 2012 and November 14, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 1 657 144	\$ 1 575 481
Cash	15	41
Subscriptions receivable	1 906	4 900
Dividends receivable, interest accrued and other assets	2 845	2 263
TOTAL ASSETS	1 661 910	1 582 685
LIABILITIES		
Redemptions payable	2 859	5 457
Distributions payable	16	18
Accounts payable and accrued expenses	230	256
TOTAL LIABILITIES	3 105	5 731
NET ASSETS	\$ 1 658 805	\$ 1 576 954
Investments at cost	\$ 1 657 144	\$ 1 575 481
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 8 294	\$ 11 674
ADVISOR SERIES	\$ 1 311	\$ 8 497
SERIES B	\$ 641	\$ 678
SERIES D	\$ 414 845	\$ 432 080
SERIES F	\$ 6 964	\$ 8 664
SERIES O	\$ 1 226 750	\$ 1 115 361
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00
SERIES B	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00
SERIES B	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00

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

(see note 2 in the generic notes)	2012	2011
For the periods ended June 30		
INCOME (see note 3 in the generic notes)		
Interest	\$ 9 332	\$ 8 331
TOTAL INCOME (LOSS)	9 332	8 331
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 000	1 039
Administration fees	284	252
Board of Governors costs	2	2
GST/HST	149	151
TOTAL EXPENSES	1 435	1 444
NET INVESTMENT INCOME (LOSS)	7 897	6 887
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 7 897	\$ 6 887
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 30	\$ 33
ADVISOR SERIES	\$ 20	\$ 1
SERIES B	\$ 2	\$ 3
SERIES D	\$ 1 377	\$ 1 482
SERIES F	\$ 26	\$ 27
SERIES O	\$ 6 442	\$ 5 341
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.03	\$ 0.03
ADVISOR SERIES	\$ 0.03	\$ 0.03
SERIES B	\$ 0.03	\$ 0.03
SERIES D	\$ 0.03	\$ 0.03
SERIES F	\$ 0.03	\$ 0.03
SERIES O	\$ 0.06	\$ 0.06

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 11 674	\$ 11 199	\$ 8 497	\$ 692	\$ 678	\$ 1 002	\$ 432 080	\$ 459 423
INCREASE (DECREASE) FROM OPERATIONS	30	33	20	1	2	3	1 377	1 482
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	2 425	6 642	1 223	4 724	–	–	214 681	311 363
Proceeds from reinvestment of distributions	33	31	17	1	2	3	1 353	1 459
Payments on redemption of units	(5 838)	(6 795)	(8 426)	(934)	(39)	(128)	(233 269)	(328 267)
TOTAL UNIT TRANSACTIONS	(3 380)	(122)	(7 186)	3 791	(37)	(125)	(17 235)	(15 445)
Distributions from net income	(30)	(33)	(20)	–	(2)	(3)	(1 377)	(1 481)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(30)	(33)	(20)	–	(2)	(3)	(1 377)	(1 481)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(3 380)	(122)	(7 186)	3 792	(37)	(125)	(17 235)	(15 444)
NET ASSETS – END OF PERIOD	\$ 8 294	\$ 11 077	\$ 1 311	\$ 4 484	\$ 641	\$ 877	\$ 414 845	\$ 443 979

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 8 664	\$ 7 607	\$ 1 115 361	\$ 903 528	\$ 1 576 954	\$ 1 383 451
INCREASE (DECREASE) FROM OPERATIONS	26	27	6 442	5 341	7 897	6 887
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	3 445	3 118	717 733	595 644	939 507	921 491
Proceeds from reinvestment of distributions	26	28	6 366	5 262	7 797	6 784
Payments on redemption of units	(5 171)	(2 991)	(612 710)	(560 758)	(865 453)	(899 873)
TOTAL UNIT TRANSACTIONS	(1 700)	155	111 389	40 148	81 851	28 402
Distributions from net income	(26)	(28)	(6 442)	(5 341)	(7 897)	(6 886)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(26)	(28)	(6 442)	(5 341)	(7 897)	(6 886)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(1 700)	154	111 389	40 148	81 851	28 403
NET ASSETS – END OF PERIOD	\$ 6 964	\$ 7 761	\$ 1 226 750	\$ 943 676	\$ 1 658 805	\$ 1 411 854

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

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
R-1 (H)	75.8	75.4
R-1 (M)	4.9	4.7
R-1 (L)	19.3	19.9
Total short-term investments	100.0	100.0

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	June 30 2012	December 31 2011
0 – 1 month	34.2	41.1
1 – 3 months	51.5	52.2
4 – 6 months	13.8	6.7
7 – 12 months	0.5	–
Total short-term investments	100.0	100.0

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 657 144	–	1 657 144
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 657 144	–	1 657 144
% of total portfolio	–	100.0	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 575 481	–	1 575 481
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 575 481	–	1 575 481
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	up to 0.65%
Advisor Series	up to 0.65%
Series B	up to 0.60%
Series D	Note 1
Series F	up to 0.40%

Note 1: 0.50% of the Series D net asset value up to \$200 000 000 and 0.40% of the Series D net asset value of the Fund in excess of \$200 000 000.

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series B	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.03%

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	51	50
Advisor Series	101	101
Series B	51	50
Series D	1 535 975	709 276
Series F	51	50
Value of all units	\$ 15 362	\$ 7 095

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

	2012	2011
Series C		
Opening units	1 167	1 120
Issued number of units	243	665
Reinvested number of units	3	3
Redeemed number of units	(584)	(680)
Ending number of units	829	1 108
Advisor Series		
Opening units	850	69
Issued number of units	122	472
Reinvested number of units	2	—
Redeemed number of units	(843)	(93)
Ending number of units	131	448

	2012	2011
Series B		
Opening units	68	100
Issued number of units	—	1
Reinvested number of units	—	—
Redeemed number of units	(4)	(13)
Ending number of units	64	88
Series D		
Opening units	43 208	45 942
Issued number of units	21 469	31 137
Reinvested number of units	135	146
Redeemed number of units	(23 327)	(32 827)
Ending number of units	41 485	44 398
Series F		
Opening units	866	761
Issued number of units	344	311
Reinvested number of units	3	3
Redeemed number of units	(517)	(299)
Ending number of units	696	776
Series O		
Opening units	111 536	90 353
Issued number of units	71 773	59 565
Reinvested number of units	637	526
Redeemed number of units	(61 271)	(56 076)
Ending number of units	122 675	94 388

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North LifeTime 2015 Fund	1	—
Phillips, Hager & North LifeTime 2020 Fund	1	1
Phillips, Hager & North LifeTime 2025 Fund	1	1
Phillips, Hager & North LifeTime 2030 Fund	1	—
Phillips, Hager & North LifeTime 2035 Fund	1	—
Phillips, Hager & North LifeTime 2040 Fund	1	1
Total	6	3

STATEMENT OF INVESTMENT PORTFOLIO (unaudited) (in US \$000s)

PHILLIPS, HAGER & NORTH \$U.S. MONEY MARKET FUND

June 30, 2012

Par Value	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
\$ 5 173	Bank of Montreal	\$ 5 173	
		5 173	8.4
COMMERCIAL PAPER			
1 000	Bay Street Funding Trust - Class A	1 000	
1 500	Brookfield Asset Management Inc., Class A	1 500	
2 600	Caisse Centrale Desjardins	2 600	
2 200	Canadian Master Trust - Series A	2 199	
2 500	Darwin Receivables Trust - Senior Notes	2 498	
1 400	Finning International Inc.	1 400	
2 700	Fusion Trust	2 698	
1 500	Gaz Metropolitain Inc.	1 500	
1 850	McCain Financial Canada	1 850	
2 700	Merit Trust - Senior Notes	2 697	
1 500	Potash Corporation of Saskatchewan Inc.	1 500	
2 750	Prime Trust - Senior Notes	2 745	
2 700	Reliant Trust	2 698	
2 600	Ridge Trust	2 598	
2 850	SAFE Trust - Series 1996-1	2 847	
3 150	SOUND Trust	3 147	
2 000	SUMMIT Trust	1 998	
1 500	Suncor Energy Inc.	1 500	
1 400	TransCanada PipeLines Ltd.	1 398	
2 700	Zeus Receivables Trust - Senior Notes	2 697	
		43 070	69.7
PROVINCIAL OBLIGATIONS			
3 765	Province of Ontario	3 764	
9 760	Province of Quebec	9 755	
		13 519	21.9
TOTAL INVESTMENTS*		61 762	100.0
OTHER NET ASSETS		54	—
NET ASSETS		\$ 61 816	100.0

* Investments, which are grouped by issuer, earn interest at rates ranging from 0.15% to 0.57% and mature between July 3, 2012 and September 21, 2012.

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

PHILLIPS, HAGER & NORTH \$U.S. MONEY MARKET FUND
(IN U.S. DOLLARS)**Statements of Net Assets** (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 61 762	\$ 66 429
Cash	3	10
Subscriptions receivable	2 166	244
Dividends receivable, interest accrued and other assets	13	20
TOTAL ASSETS	63 944	66 703
LIABILITIES		
Redemptions payable	2 124	3
Accounts payable and accrued expenses	4	5
TOTAL LIABILITIES	2 128	8
NET ASSETS	\$ 61 816	\$ 66 695

Investments at cost	\$ 61 762	\$ 66 429
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 2 764	\$ 3 390
ADVISOR SERIES	\$ 210	\$ 156
SERIES B	\$ 282	\$ 1 189
SERIES D	\$ 28 523	\$ 29 923
SERIES F	\$ 4 320	\$ 6 743
SERIES O	\$ 25 717	\$ 25 294

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00
SERIES B	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00

NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,**END OF PERIOD (see note 3 in the generic notes)**

SERIES C	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00
SERIES B	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Interest	\$ 90	\$ 81
TOTAL INCOME (LOSS)	90	81
EXPENSES (see notes – Fund Specific Information)		
Management fees	10	20
Administration fees	14	16
Board of Governors costs	2	2
GST/HST	3	4
TOTAL EXPENSES	29	42
NET INVESTMENT INCOME (LOSS)	61	39
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 61	\$ 39
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 2	\$ 3
ADVISOR SERIES	\$ 1	\$ –
SERIES B	\$ 1	\$ –
SERIES D	\$ 25	\$ 13
SERIES F	\$ 4	\$ 5
SERIES O	\$ 28	\$ 18
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.01	\$ –
ADVISOR SERIES	\$ 0.01	\$ –
SERIES B	\$ 0.01	\$ –
SERIES D	\$ 0.01	\$ –
SERIES F	\$ 0.01	\$ 0.01
SERIES O	\$ 0.01	\$ 0.01

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

PHILLIPS, HAGER & NORTH \$U.S. MONEY MARKET FUND
(IN U.S. DOLLARS)
Statements of Changes in Net Assets *(unaudited) (in \$'000s)*

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 3 390	\$ 2 719	\$ 156	\$ 1	\$ 1 189	\$ 1 201	\$ 29 923	\$ 25 671
INCREASE (DECREASE) FROM OPERATIONS	2	3	1	–	1	–	25	13
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	746	5 056	102	116	–	–	14 381	18 053
Proceeds from reinvestment of distributions	3	2	–	–	1	1	24	14
Payments on redemption of units	(1 374)	(1 708)	(49)	–	(908)	(6)	(15 806)	(9 855)
TOTAL UNIT TRANSACTIONS	(625)	3 350	53	116	(907)	(5)	(1 401)	8 212
Distributions from net income	(3)	(2)	–	–	(1)	(1)	(24)	(14)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(3)	(2)	–	–	(1)	(1)	(24)	(14)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(626)	3 351	54	116	(907)	(6)	(1 400)	8 211
NET ASSETS – END OF PERIOD	\$ 2 764	\$ 6 070	\$ 210	\$ 117	\$ 282	\$ 1 195	\$ 28 523	\$ 33 882

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 6 743	\$ 6 373	\$ 25 294	\$ 18 070	\$ 66 695	\$ 54 035
INCREASE (DECREASE) FROM OPERATIONS	4	5	28	18	61	39
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	4 288	5 593	27 684	30 247	47 201	59 065
Proceeds from reinvestment of distributions	4	5	28	20	60	42
Payments on redemption of units	(6 715)	(4 880)	(27 289)	(27 381)	(52 141)	(43 830)
TOTAL UNIT TRANSACTIONS	(2 423)	718	423	2 886	(4 880)	15 277
Distributions from net income	(4)	(5)	(28)	(20)	(60)	(42)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(4)	(5)	(28)	(20)	(60)	(42)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(2 423)	718	423	2 884	(4 879)	15 274
NET ASSETS – END OF PERIOD	\$ 4 320	\$ 7 091	\$ 25 717	\$ 20 954	\$ 61 816	\$ 69 309

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

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
R-1 (H)	60.9	69.1
R-1 (M)	21.9	9.8
R-1 (L)	17.2	21.1
Total short-term investments	100.0	100.0

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	June 30 2012	December 31 2011
0 – 1 month	41.9	31.8
1 – 3 months	58.1	68.2
Total short-term investments	100.0	100.0

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	61 762	–	61 762
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	61 762	–	61 762
% of total portfolio	–	100.0	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	66 429	–	66 429
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	66 429	–	66 429
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	up to 0.75%
Advisor Series	up to 0.75%
Series B	up to 0.60%
Series D	up to 0.50%
Series F	up to 0.50%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series B	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.05%

June 30, 2012

**Initial investments (US \$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	50	50
Advisor Series	100	100
Series B	50	50
Series D	50	50
Series F	50	50
Series O	50	50
Value of all units	\$ 4	\$ 4

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

The capital losses as at December 31, 2011 for the Fund were \$8 343. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	339	271
Issued number of units	74	507
Reinvested number of units	—	—
Redeemed number of units	(137)	(171)
Ending number of units	276	607
Advisor Series		
Opening units	16	1
Issued number of units	10	11
Reinvested number of units	—	—
Redeemed number of units	(5)	—
Ending number of units	21	12
Series B		
Opening units	119	120
Issued number of units	—	1
Reinvested number of units	—	—
Redeemed number of units	(91)	(1)
Ending number of units	28	120
Series D		
Opening units	2 992	2 567
Issued number of units	1 439	1 806
Reinvested number of units	2	1
Redeemed number of units	(1 581)	(986)
Ending number of units	2 852	3 388
Series F		
Opening units	674	637
Issued number of units	429	559
Reinvested number of units	—	1
Redeemed number of units	(671)	(488)
Ending number of units	432	709
Series O		
Opening units	2 529	1 807
Issued number of units	2 769	3 024
Reinvested number of units	3	2
Redeemed number of units	(2 729)	(2 738)
Ending number of units	2 572	2 095

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

**PHILLIPS, HAGER & NORTH SHORT TERM BOND &
MORTGAGE FUND**

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 1 000	407 International Inc.	3.880	16-Jun-15	\$ 1 000	\$ 1 056	
11 835	AltaLink Investments LP	5.019	21-Nov-12	12 365	11 963	
714	AltaLink Investments LP	5.207	16-Dec-16	753	780	
6 080	AltaLink Investments LP	3.674	05-Jun-19	6 080	6 084	
2 000	AltaLink LP	5.430	05-Jun-13	2 116	2 072	
3 885	American Express Canada Credit Corp.	5.900	02-Apr-13	3 879	4 005	
8 905	American Express Canada Credit Corp.	4.853	03-Oct-14	9 023	9 406	
410	Bank of Montreal	3.103	10-Mar-16	409	422	
28 260	Bank of Montreal	3.490	10-Jun-16	28 387	29 473	
44 741	Bank of Montreal	2.960	02-Aug-16	45 175	45 773	
2 490	Bank of Montreal	4.870	22-Apr-20	2 618	2 657	
4 890	Bank of Montreal	5.100	21-Apr-21	5 213	5 336	
26 880	Bank of Nova Scotia	2.250	08-May-15	26 888	27 007	
10 232	Bank of Nova Scotia	3.610	22-Feb-16	10 477	10 705	
15 970	Bank of Nova Scotia	2.740	01-Dec-16	16 017	16 190	
16 777	Bank of Nova Scotia	2.598	27-Feb-17	16 765	16 895	
12 919	Bank of Nova Scotia	5.250	01-Nov-17	13 107	13 064	
4 436	Bank of Nova Scotia	5.300	31-Jan-18	4 527	4 525	
605	Bank of Nova Scotia	4.990	27-Mar-18	603	619	
9 325	Bank of Nova Scotia	6.000	03-Oct-18	9 788	9 789	
20 115	Bank of Nova Scotia	4.940	15-Apr-19	21 192	21 120	
9 560	Bank of Nova Scotia	4.100	08-Jun-17	9 723	10 275	
11 561	bclMC Realty Corp.	2.650	29-Jun-17	11 559	11 577	
3 560	Bell Aliant Regional Communications LP	4.950	26-Feb-14	3 724	3 704	
4 500	Bell Aliant Regional Communications LP	6.290	17-Feb-15	4 805	4 889	
5 960	Bell Aliant Regional Communications LP	4.880	26-Apr-18	5 960	6 316	
15 542	Bell Canada	4.400	16-Mar-18	15 830	16 604	
11 698	Bell Canada	3.350	18-Jun-19	11 679	11 737	
5 050	BMO Subordinated Notes Trust	5.750	26-Sep-22	5 507	5 770	
7 135	British Columbia Ferry Services Inc.	5.740	27-May-14	7 809	7 646	
12 338	Brookfield Asset Management Inc.	3.950	09-Apr-19	12 337	12 475	
9 932	Caisse Centrale Desjardins	3.502	05-Oct-17	10 208	10 358	
10 476	Canada Safeway Ltd.	3.000	31-Mar-14	10 498	10 584	
10 675	Canadian Credit Card Trust	5.365	25-Mar-13	11 335	10 973	
300	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	321	320	
14 160	Canadian Imperial Bank of Commerce	2.200	22-May-15	14 142	14 212	
7 405	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	7 699	7 686	
34 503	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	34 629	34 852	
6 899	Canadian Imperial Bank of Commerce	5.150	06-Jun-18	7 121	7 107	
49 877	Canadian Imperial Bank of Commerce	4.110	30-Apr-20	51 289	52 196	
3 175	Canadian Utilities Ltd.	6.140	22-Nov-12	3 445	3 230	
6 200	Capital Desjardins Inc.	5.541	01-Jun-21	6 659	6 814	
49 854	Cards II Trust	3.333	15-May-16	51 391	51 714	
11 960	Caterpillar Financial Services Ltd.	5.200	03-Jun-13	12 454	12 361	
13 795	Caterpillar Financial Services Ltd.	2.630	01-Jun-17	13 804	13 885	
2 400	Central 1 Credit Union	4.000	09-Oct-19	2 397	2 430	
6 080	CI Financial Corp.	3.300	17-Dec-12	6 080	6 118	
420	CI Investments Inc.	3.940	14-Dec-16	420	434	
1 690	Citigroup Finance Canada Inc.	4.900	13-Nov-12	1 728	1 708	
7 875	Citigroup Finance Canada Inc.	5.500	21-May-13	7 911	8 080	
6 435	Emera Inc.	2.960	13-Dec-16	6 432	6 525	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 3 475	Enbridge Gas Distribution Inc.	5.570	29-Jan-14	\$ 3 792	\$ 3 686	
16 181	Enbridge Gas Distribution Inc.	5.160	24-Sep-14	17 650	17 403	
2 670	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	2 959	3 057	
6 500	Enbridge Inc.	4.670	25-Mar-13	6 866	6 642	
5 000	Enbridge Inc.	5.170	19-May-16	5 434	5 524	
5 404	Enbridge Inc.	5.000	09-Aug-16	5 888	5 960	
2 329	EnCana Corp.	5.800	18-Jan-18	2 621	2 608	
150	EPCOR Utilities Inc.	6.750	22-Mar-16	177	173	
3 435	EPCOR Utilities Inc.	5.800	31-Jan-18	3 950	3 978	
1 312	Finning International Inc.	6.020	01-Jun-18	1 532	1 530	
15 688	FortisBC Holdings Inc.	5.560	15-Sep-14	17 132	16 843	
8 180	George Weston Ltd.	5.050	10-Mar-14	8 649	8 548	
23 579	Golden Credit Card Trust	3.510	15-May-16	24 190	24 620	
8 565	Greater Toronto Airports Authority	6.250	13-Dec-12	9 242	8 747	
7 262	Greater Toronto Airports Authority	4.850	01-Jun-17	8 138	8 117	
17 000	HSBC Bank Canada	2.572	23-Nov-15	17 000	17 091	
16 765	HSBC Bank Canada	2.901	13-Jan-17	16 765	16 966	
2 640	HSBC Bank Canada	3.558	04-Oct-17	2 649	2 752	
1 456	Hydro One Inc.	5.000	12-Nov-13	1 556	1 523	
10 775	Hydro One Inc.	3.130	19-Nov-14	11 134	11 135	
2 265	Hydro One Inc.	4.640	03-Mar-16	2 462	2 473	
3 510	Hydro One Inc.	5.180	18-Oct-17	4 014	4 018	
1 500	Inter Pipeline Fund	3.839	30-Jul-18	1 500	1 570	
2 550	John Deere Credit Inc.	3.900	29-Jul-13	2 547	2 614	
4 302	John Deere Canada Funding Inc.	2.300	05-Jul-16	4 301	4 307	
1 190	Loblaw Companies Ltd.	6.000	03-Mar-14	1 283	1 267	
3 815	Loblaw Companies Ltd.	4.850	08-May-14	3 999	4 012	
2 402	Manitoba Telecom Services Inc.	4.590	01-Oct-18	2 402	2 555	
5 810	Manulife Financial Corporation	4.896	02-Jun-14	6 054	6 053	
4 661	Manulife Financial Corporation	5.161	26-Jun-15	4 938	4 959	
2 609	Manulife Financial Corporation	4.079	20-Aug-15	2 683	2 700	
7 552	Master Credit Card Trust	5.237	21-May-13	8 021	7 803	
4 656	Master Credit Card Trust	3.502	21-May-16	4 744	4 859	
39 779	Master Credit Card Trust	2.626	21-Jan-17	39 930	40 177	
8 351	Molson Coors Capital Finance ULC	5.000	22-Sep-15	8 883	8 989	
4 210	National Bank of Canada	4.030	26-May-15	4 210	4 434	
2 310	National Bank of Canada	5.550	15-Nov-18	2 310	2 419	
5 350	National Bank of Canada	4.700	02-Nov-20	5 629	5 701	
24 295	Nova Scotia Power Inc.	5.750	01-Oct-13	26 219	25 516	
2 964	Ontrea Inc.	4.619	09-Apr-18	2 964	3 238	
4 570	Plenary Health Hamilton LP	3.157	13-Dec-13	4 570	4 627	
1 985	Plenary Properties LTAP LP	3.801	18-Aug-14	2 013	2 047	
24 425	Rogers Communications Inc.	5.800	26-May-16	27 039	27 201	
3 432	Rogers Communications Inc.	3.000	06-Jun-17	3 429	3 441	
207	Royal Bank of Canada*	2.050	13-Jan-15	208	207	
2 962	Royal Bank of Canada*	3.180	16-Mar-15	3 048	3 061	
23 057	Royal Bank of Canada*	3.360	11-Jan-16	23 176	23 901	
11 204	Royal Bank of Canada*	3.030	26-Jul-16	11 388	11 485	
27 660	Royal Bank of Canada*	2.680	08-Dec-16	27 731	27 986	
7 000	Royal Bank of Canada*	3.660	25-Jan-17	6 942	7 371	
34 916	Royal Bank of Canada*	2.580	13-Apr-17	34 917	35 123	
6 000	Royal Bank of Canada*	4.840	11-Mar-18	6 402	6 123	
10 302	Royal Bank of Canada*	5.000	06-Jun-18	10 808	10 598	
8 525	Royal Bank of Canada*	5.450	04-Nov-18	9 083	8 917	
860	Royal Bank of Canada*	2.980	07-May-19	868	868	
18 882	Shaw Communications Inc.	7.500	20-Nov-13	20 872	20 240	
3 070	Shaw Communications Inc.	6.150	09-May-16	3 375	3 423	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 3 070	Shaw Communications Inc.	5.700	02-Mar-17	\$ 3 290	\$ 3 393	
7 682	Sun Life Financial Inc.	5.120	26-Jun-18	8 091	7 869	
2 720	TELUS Corp.	4.950	15-May-14	2 802	2 868	
10 000	TELUS Corp.	5.950	15-Apr-15	10 859	10 996	
8 460	TELUS Corp.	3.650	25-May-16	8 457	8 808	
27 435	Teranet Holdings LP	3.531	16-Dec-15	27 684	28 386	
760	Tim Hortons Inc.	4.200	01-Jun-17	760	826	
100	Toronto-Dominion Bank	4.854	13-Feb-13	105	102	
1 070	Toronto-Dominion Bank	2.948	02-Aug-16	1 086	1 098	
40 290	Toronto-Dominion Bank	5.382	01-Nov-17	41 880	40 756	
45 305	Toronto-Dominion Bank	5.690	03-Jun-18	46 977	46 900	
3 060	Toronto Hydro Corp.	6.110	06-May-13	3 352	3 178	
3 560	Toronto Hydro Corp.	6.110	07-May-13	3 831	3 698	
419	Toronto Hydro Corp.	5.150	14-Nov-17	478	478	
3 830	TransAlta Corp.	6.450	29-May-14	4 150	4 067	
6 615	TransCanada PipeLines Ltd.	5.050	20-Aug-13	7 005	6 874	
2 101	TransCanada PipeLines Ltd.	5.650	15-Jan-14	2 272	2 228	
4 440	TransCanada PipeLines Ltd.	11.100	20-Jun-14	5 400	5 184	
6 196	Union Gas Ltd.	7.900	24-Feb-14	7 011	6 804	
3 170	Union Gas Ltd.	4.640	30-Jun-16	3 420	3 471	
3 538	Veresen Inc.	3.950	14-Mar-17	3 536	3 592	
3 660	Veresen Inc.	4.000	22-Nov-18	3 650	3 687	
15 788	Wells Fargo Financial Canada Corp.	3.970	03-Nov-14	16 535	16 439	
2 730	Wells Fargo Financial Canada Corp.	4.380	30-Jun-15	2 876	2 893	
14 544	Wells Fargo Financial Canada Corp.	2.774	09-Feb-17	14 544	14 583	
2 044	Westcoast Energy Inc.	8.300	30-Dec-13	2 269	2 234	
8 447	Westcoast Energy Inc.	8.500	23-Nov-15	10 373	10 111	
4 737	Westcoast Energy Inc.	3.280	15-Jan-16	4 804	4 898	
				1 335 061	1 341 128	42.6
FEDERAL						
375	Canada Housing Trust No. 1	3.550	15-Sep-13	392	386	
7 061	Canada Housing Trust No. 1	2.700	15-Dec-13	7 296	7 223	
4 936	Canada Housing Trust No. 1	2.200	15-Mar-14	5 049	5 024	
25 903	Canada Housing Trust No. 1	2.750	15-Sep-14	26 874	26 771	
50 216	Government of Canada	1.750	01-Mar-13	50 439	50 472	
3 650	Government of Canada	2.500	01-Sep-13	3 720	3 713	
57 719	Government of Canada	1.000	01-Feb-14	57 753	57 696	
3 000	Government of Canada	2.000	01-Mar-14	3 030	3 048	
2 477	Government of Canada	0.750	01-May-14	2 452	2 464	
2 637	Government of Canada	2.500	01-Jun-15	2 741	2 742	
43 228	Government of Canada	1.500	01-Aug-15	43 694	43 693	
949	Government of Canada	2.750	01-Sep-16	1 006	1 007	
43 160	Government of Canada	1.500	01-Mar-17	43 652	43 644	
4 741	Government of Canada	4.250	01-Jun-18	5 513	5 512	
				253 611	253 395	8.1
PROVINCIAL/MUNICIPAL						
43 132	Cadillac Fairview Finance Trust	3.240	25-Jan-16	44 145	44 865	
18 950	Province of Ontario	5.000	08-Mar-14	20 624	20 116	
87 911	Province of Ontario	4.300	08-Mar-17	97 018	97 566	
				161 787	162 547	5.2
TOTAL CANADIAN BONDS				1 750 459	1 757 070	55.9
UNITED KINGDOM BONDS						
7 202	BAA Funding Ltd. CAD	4.000	03-Jul-19	7 156	7 175	
TOTAL UNITED KINGDOM BONDS				7 156	7 175	0.2

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED STATES BONDS						
\$ 10 480	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	\$ 10 620	\$ 10 997	
4 600	Bank of America Corp. CAD	5.450	17-Sep-14	4 720	4 770	
22 615	Bank of America Corp. CAD	4.810	01-Jun-16	23 030	19 562	
37 700	Bear Stearns Cos LLC CAD	4.350	20-Jul-12	38 351	37 749	
18 175	Molson Coors International LP CAD	3.950	06-Oct-17	17 980	18 895	
TOTAL UNITED STATES BONDS				94 701	91 973	3.0
TOTAL BONDS				1 852 316	1 856 218	59.1
MORTGAGE-BACKED SECURITIES						
15 825	Canadian Mortgage Pools	2.500	01-Jun-15	15 613	16 127	
12 597	Canadian Mortgage Pools	1.950	01-Sep-15	12 438	12 667	
8 414	Canadian Mortgage Pools	2.170	01-Sep-15	8 370	8 505	
12 013	Canadian Mortgage Pools	2.750	01-Nov-15	11 948	12 319	
11 399	Canadian Mortgage Pools	2.750	01-Jan-16	11 269	11 699	
8 830	Canadian Mortgage Pools	1.500	01-Sep-16	8 571	8 719	
1 799	Canadian Mortgage Pools	1.500	01-Dec-16	1 767	1 772	
2 242	Solar Trust	5.330	12-May-16	2 287	2 264	
TOTAL MORTGAGE-BACKED SECURITIES				72 263	74 072	2.4
MORTGAGES (SCHEDULE A)				327 284	334 852	10.6
SHORT-TERM INVESTMENTS†						
11 000	Bay Street Funding Trust - Class A			10 966	10 966	
57 625	Brookfield Asset Management Inc., Class A			57 516	57 516	
7 375	Canadian Master Trust - Series A			7 345	7 345	
5 000	Cenovus Energy Inc.			4 995	4 995	
59 780	Darwin Receivables Trust - Senior Notes			59 610	59 610	
33 500	Enbridge Inc.			33 471	33 471	
144 775	Fusion Trust			144 356	144 356	
41 675	HSBC Bank Canada			41 621	41 621	
103 725	Inter Pipeline Fund			103 411	103 411	
25 625	King Street Funding Trust			25 599	25 599	
96 600	Merit Trust - Senior Notes			96 371	96 371	
5 000	OMERS Realty Corp.			4 986	4 986	
126 450	Prime Trust - Senior Notes			126 109	126 109	
83 075	Reliant Trust			82 826	82 826	
12 875	SUMMIT Trust			12 833	12 833	
19 000	TELUS Corp.			18 948	18 948	
6 400	TransCanada PipeLines Ltd.			6 393	6 393	
37 125	Zeus Receivables Trust - Senior Notes			37 019	37 019	
TOTAL SHORT-TERM INVESTMENTS				874 375	874 375	27.7
TOTAL INVESTMENTS				\$ 3 126 238	3 139 517	99.8
OTHER NET ASSETS					9 253	0.2
NET ASSETS					\$ 3 148 770	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.10% to 1.38% and mature between July 3, 2012 and October 15, 2012.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2012

**SCHEDULE A
MORTGAGES**

Number of Loans	Interest Rate (%)	Principal 2012	2013	2014	2015	2016	2017	2018	Cost	Fair Value	% of Net Assets
1	2.00-2.24	\$ 1 875	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1 875	\$ 1 875	
1	2.75-2.99	723	—	—	—	—	—	—	723	723	
5	3.00-3.24	432	4 655	5 069	—	—	1 741	—	11 920	11 950	
9	3.25-3.49	4 933	449	5 391	—	7 525	1 088	—	19 442	19 387	
14	3.50-3.74	2 612	1 510	—	2 586	7 751	14 569	—	29 144	29 357	
35	3.75-3.99	—	21 832	12 971	4 937	354	16 000	5 040	61 325	61 741	
20	4.00-4.24	2 623	7 496	5 736	12 462	9 001	—	—	37 458	38 162	
20	4.25-4.49	—	341	—	55 655	7 336	3 610	—	67 275	69 204	
18	4.50-4.74	2 244	1 303	815	12 809	4 595	8 324	5 600	35 904	37 646	
14	4.75-4.99	—	4 875	1 244	4 344	1 076	5 481	5 794	22 913	23 920	
7	5.00-5.24	2 008	1 973	—	4 635	—	—	—	8 655	8 954	
4	5.25-5.49	1 364	6 275	—	—	—	—	1 463	9 142	9 380	
8	5.50-5.74	1 053	1 372	1 157	—	7 899	—	—	11 540	12 311	
7	5.75-5.99	4 461	—	2 102	—	—	—	—	6 575	6 678	
5	6.00-6.24	792	—	2 055	—	—	530	—	3 393	3 564	
168		\$ 25 120	\$ 52 081	\$ 36 540	\$ 97 428	\$ 45 537	\$ 51 343	\$ 17 897	\$ 327 284	\$ 334 852	10.6

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**Statements of Net Assets** (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 3 139 517	\$ 2 761 334
Cash	599	371
Due from investment dealers	45 359	–
Subscriptions receivable	17 077	5 164
Dividends receivable, interest accrued and other assets	17 183	15 340
TOTAL ASSETS	3 219 735	2 782 209
LIABILITIES		
Due to investment dealers	62 703	–
Redemptions payable	7 571	2 637
Distributions payable	1	–
Accounts payable and accrued expenses	690	655
TOTAL LIABILITIES	70 965	3 292
NET ASSETS	\$ 3 148 770	\$ 2 778 917
Investments at cost	\$ 3 126 238	\$ 2 749 928
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 351 050	\$ 334 238
ADVISOR SERIES	\$ 44 823	\$ 27 675
SERIES B	\$ 351	\$ 358
SERIES D	\$ 292 528	\$ 290 420
SERIES F	\$ 136 070	\$ 121 077
SERIES O	\$ 2 323 948	\$ 2 005 149
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 10.50	\$ 10.53
ADVISOR SERIES	\$ 10.50	\$ 10.53
SERIES B	\$ 10.59	\$ 10.61
SERIES D	\$ 10.46	\$ 10.49
SERIES F	\$ 10.45	\$ 10.48
SERIES O	\$ 10.16	\$ 10.19
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 10.51	\$ 10.54
ADVISOR SERIES	\$ 10.51	\$ 10.54
SERIES B	\$ 10.60	\$ 10.62
SERIES D	\$ 10.47	\$ 10.50
SERIES F	\$ 10.46	\$ 10.49
SERIES O	\$ 10.17	\$ 10.20

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Interest	\$ 44 693	\$ 37 045
TOTAL INCOME (LOSS)	44 693	37 045
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 955	2 426
Administration fees	734	529
Board of Governors costs	2	2
GST/HST	377	308
TOTAL EXPENSES	4 068	3 265
NET INVESTMENT INCOME (LOSS)	40 625	33 780
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	(6 180)	2 366
Change in unrealized gain (loss) in value of investments	1 673	(1 143)
NET GAIN (LOSS) ON INVESTMENTS	(4 507)	1 223
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 36 118	\$ 35 003
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 2 708	\$ 3 481
ADVISOR SERIES	\$ 296	\$ 133
SERIES B	\$ 4	\$ 5
SERIES D	\$ 3 053	\$ 4 009
SERIES F	\$ 1 336	\$ 1 488
SERIES O	\$ 28 721	\$ 25 887
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.09	\$ 0.12
ADVISOR SERIES	\$ 0.09	\$ 0.12
SERIES B	\$ 0.11	\$ 0.14
SERIES D	\$ 0.12	\$ 0.15
SERIES F	\$ 0.12	\$ 0.15
SERIES O	\$ 0.14	\$ 0.18

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**Statements of Changes in Net Assets** (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 334 238	\$ 293 606	\$ 27 675	\$ 7 652	\$ 358	\$ 412	\$ 290 420	\$ 272 465
INCREASE (DECREASE) FROM OPERATIONS	2 708	3 481	296	133	4	5	3 053	4 009
Early redemption fees	–	–	–	–	–	–	2	–
Proceeds from units issued	82 001	70 802	21 583	7 934	–	–	43 290	51 143
Proceeds from reinvestment of distributions	3 344	3 232	374	155	4	5	3 469	3 713
Payments on redemption of units	(67 592)	(83 688)	(4 677)	(266)	(11)	(44)	(43 816)	(45 419)
TOTAL UNIT TRANSACTIONS	17 753	(9 654)	17 280	7 823	(7)	(39)	2 945	9 437
Distributions from net income	(3 649)	(3 543)	(428)	(167)	(4)	(5)	(3 890)	(4 216)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(3 649)	(3 543)	(428)	(167)	(4)	(5)	(3 890)	(4 216)
TOTAL INCREASE (DECREASE) IN NET ASSETS	16 812	(9 716)	17 148	7 789	(7)	(39)	2 108	9 230
NET ASSETS – END OF PERIOD	\$ 351 050	\$ 283 890	\$ 44 823	\$ 15 441	\$ 351	\$ 373	\$ 292 528	\$ 281 695

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 121 077	\$ 103 655	\$ 2 005 149	\$ 1 321 095	\$ 2 778 917	\$ 1 998 885
INCREASE (DECREASE) FROM OPERATIONS	1 336	1 488	28 721	25 887	36 118	35 003
Early redemption fees	–	–	4	1	6	1
Proceeds from units issued	40 893	35 381	683 651	494 624	871 418	659 884
Proceeds from reinvestment of distributions	1 288	1 240	34 078	25 942	42 557	34 287
Payments on redemption of units	(26 792)	(31 828)	(392 928)	(215 620)	(535 816)	(376 865)
TOTAL UNIT TRANSACTIONS	15 389	4 793	324 805	304 947	378 165	317 307
Distributions from net income	(1 732)	(1 602)	(34 727)	(26 728)	(44 430)	(36 261)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(1 732)	(1 602)	(34 727)	(26 728)	(44 430)	(36 261)
TOTAL INCREASE (DECREASE) IN NET ASSETS	14 993	4 679	318 799	304 106	369 853	316 049
NET ASSETS – END OF PERIOD	\$ 136 070	\$ 108 334	\$ 2 323 948	\$ 1 625 201	\$ 3 148 770	\$ 2 314 934

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management™

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
AAA	22.9	27.9
AA	31.7	26.5
A	15.3	15.2
BBB	15.3	15.0
D	–	0.1
Unrated*	14.8	15.3
Total debt securities	100.0	100.0

* Mortgages represent 100% (December 31, 2011 – 100%) of the unrated above. 16.0% (December 31, 2011 – 11.6%) of the mortgages are Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. To manage the credit risk on the remaining 84.0% (December 31, 2011 – 88.4%), which are conventional mortgages, the Fund only purchases mortgages that are no more than 75% of the value of the property and the net income generated by the property must be at least 1.2x the income required to pay the monthly debt service requirements. These statistics are monitored on an ongoing basis both at the individual security level and on an aggregate level.

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	June 30 2012	December 31 2011
Less than 1 year	17.2	16.4
1 – 5 years	75.6	77.1
5 – 10 years	7.2	6.5
> 10 years	–	–
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.0% (December 31, 2011 – 2.0%). 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 265 142	–	2 265 142
Short-term investments	–	874 375	–	874 375
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	3 139 517	–	3 139 517
% of total portfolio	–	100.0	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 042 530	–	2 042 530
Short-term investments	–	718 804	–	718 804
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	2 761 334	–	2 761 334
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series B	0.75%
Series D	0.50%
Series F	0.50%

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management™

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series B	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	49	49
Advisor Series	98	97
Series B	49	48
Series F	49	49
Value of all units	\$ 3	\$ 3

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	31 740	28 085
Issued number of units	7 777	6 764
Reinvested number of units	318	309
Redeemed number of units	(6 412)	(7 993)
Ending number of units	33 423	27 165

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Advisor Series		
Opening units	2 628	732
Issued number of units	2 048	756
Reinvested number of units	36	15
Redeemed number of units	(444)	(25)
Ending number of units	4 268	1 478
Series B		
Opening units	34	39
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	(1)	(4)
Ending number of units	33	35
Series D		
Opening units	27 674	26 142
Issued number of units	4 119	4 896
Reinvested number of units	331	357
Redeemed number of units	(4 170)	(4 351)
Ending number of units	27 954	27 044
Series F		
Opening units	11 557	9 962
Issued number of units	3 897	3 390
Reinvested number of units	123	119
Redeemed number of units	(2 552)	(3 053)
Ending number of units	13 025	10 418
Series O		
Opening units	196 807	130 633
Issued number of units	66 935	48 794
Reinvested number of units	3 349	2 567
Redeemed number of units	(38 439)	(21 241)
Ending number of units	228 652	160 753

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

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

	June 30 2012	December 31 2011
Series O		
RBC Select Choices Conservative Portfolio	2 126	2 046
RBC Select Choices Balanced Portfolio	2 074	2 129
Phillips, Hager & North PRiSM Balanced Fund	22 501	23 217
Phillips, Hager & North Enhanced PRiSM Long Fund	11 229	—
RBC Monthly Income Bond Fund	22 767	8 899
RBC Select Very Conservative Portfolio	44 285	35 182
Total	104 982	71 473

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

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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 12 005	407 International Inc.	4.450	15-Nov-41	\$ 12 081	\$ 12 956	
9 610	407 International Inc.	4.190	25-Apr-42	9 616	9 916	
2 703	Access Roads Edmonton Ltd.	5.812	30-Sep-37	3 141	3 297	
6 991	AGT Ltd.	8.800	22-Sep-25	9 122	10 537	
8 895	Alliance Pipeline LP	7.181	30-Jun-23	10 920	10 956	
17 007	Alliance Pipeline LP	6.765	31-Dec-25	20 242	20 714	
9 148	Alliance Pipeline LP	7.217	31-Dec-25	11 373	11 369	
4 380	AltaGas Ltd.	4.070	01-Jun-20	4 380	4 501	
13 686	AltaLink Investments LP	5.207	16-Dec-16	14 114	14 951	
17 297	AltaLink Investments LP	3.674	05-Jun-19	17 297	17 309	
8 705	AltaLink LP	5.243	29-May-18	9 992	10 004	
7 319	AltaLink LP	4.462	08-Nov-41	7 522	7 967	
13 550	American Express Canada Credit Corp.	5.900	02-Apr-13	13 691	13 967	
36 135	American Express Canada Credit Corp.	4.853	03-Oct-14	37 042	38 166	
63 019	Bank of Montreal	5.180	10-Jun-15	68 627	68 584	
86 975	Bank of Montreal	3.490	10-Jun-16	88 079	90 709	
3 750	Bank of Montreal	3.979	08-Jul-16	3 925	3 912	
18 201	Bank of Montreal	2.960	02-Aug-16	18 494	18 621	
2 780	Bank of Montreal	5.450	17-Jul-17	3 172	3 166	
5	Bank of Montreal	4.550	01-Aug-17	5	5	
4 115	Bank of Montreal	5.100	21-Apr-21	4 543	4 490	
500	Bank of Nova Scotia	3.340	25-Mar-15	521	518	
43 825	Bank of Nova Scotia	2.250	08-May-15	43 833	44 033	
4 870	Bank of Nova Scotia	3.610	22-Feb-16	5 106	5 096	
65 170	Bank of Nova Scotia	2.740	01-Dec-16	65 517	66 073	
84 085	Bank of Nova Scotia	2.598	27-Feb-17	84 265	84 680	
11 575	Bank of Nova Scotia	4.100	08-Jun-17	11 729	12 442	
22 506	Bank of Nova Scotia	4.990	27-Mar-18	23 417	23 020	
78 575	Bank of Nova Scotia	6.000	03-Oct-18	80 345	82 492	
8 472	Bank of Nova Scotia	4.940	15-Apr-19	8 642	8 896	
15 105	Bank of Nova Scotia	6.650	22-Jan-21	16 384	17 167	
9 375	BC Tel	11.900	22-Nov-15	12 483	12 225	
12 451	BC Tel	9.650	08-Apr-22	16 901	18 388	
7 455	bcIMC Realty Corp.	2.650	29-Jun-17	7 455	7 465	
15 275	bcIMC Realty Corp.	3.510	29-Jun-22	15 272	15 309	
28 442	Bell Aliant Regional Communications LP	6.290	17-Feb-15	31 556	30 907	
16 075	Bell Aliant Regional Communications LP	4.880	26-Apr-18	16 104	17 038	
2 435	Bell Canada	4.850	30-Jun-14	2 566	2 570	
25 510	Bell Canada	4.400	16-Mar-18	25 618	27 253	
27 785	Bell Canada	3.350	18-Jun-19	27 741	27 878	
5 212	Bell Canada	4.950	19-May-21	5 225	5 724	
6 178	Bell Canada	6.550	01-May-29	6 121	7 462	
3 190	Bell Canada	7.300	23-Feb-32	3 262	4 119	
22 124	BMO Subordinated Notes Trust	5.750	26-Sep-22	24 251	25 281	
9 727	Brookfield Asset Management Inc.	3.950	09-Apr-19	9 726	9 834	
9 600	Brookfield Asset Management Inc.	5.300	01-Mar-21	9 597	10 432	
10 929	Brookfield Asset Management Inc.	5.950	14-Jun-35	10 778	10 673	
8 785	Brookfield Renewable Power Inc.	6.132	30-Nov-16	8 919	9 799	
15 928	BRP Finance ULC	4.790	07-Feb-22	15 927	16 536	
14 293	Caisse Centrale Desjardins	3.502	05-Oct-17	14 307	14 905	

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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 13 275	Calloway Real Estate Investment Trust	5.370	12-Oct-16	\$ 13 306	\$ 14 305	
9 065	Canada Safeway Ltd.	3.000	31-Mar-14	9 111	9 158	
12 120	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	12 582	12 945	
27 250	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	27 625	28 030	
36 265	Canadian Imperial Bank of Commerce	2.200	22-May-15	36 220	36 399	
64 790	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	66 346	67 249	
55 525	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	55 696	56 086	
31 529	Canadian Imperial Bank of Commerce	3.950	14-Jul-17	32 315	33 694	
4 135	Canadian Pacific Railway Ltd.	6.450	17-Nov-39	4 201	4 785	
11 038	Capital Desjardins Inc.	5.187	05-May-20	11 319	12 360	
18 897	Capital Desjardins Inc.	3.797	23-Nov-20	18 904	19 491	
5 000	Capital Desjardins Inc.	5.541	01-Jun-21	5 548	5 496	
265	Cards II Trust	3.096	15-Sep-15	272	273	
5 605	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	5 625	5 620	
16 383	Caterpillar Financial Services Ltd.	2.630	01-Jun-17	16 379	16 490	
3 600	Centra Gas Ontario Inc.	8.650	19-Oct-18	4 855	4 768	
3 760	Central 1 Credit Union	4.000	09-Oct-19	3 757	3 807	
10 100	Centre Street Trust	3.690	14-Jun-21	10 100	10 123	
7 291	CI Investments Inc.	3.940	14-Dec-16	7 312	7 541	
40	Citigroup Finance Canada Inc.	4.350	08-Mar-13	40	41	
37 264	Citigroup Finance Canada Inc.	5.500	21-May-13	37 607	38 232	
11 025	CU Inc.	6.145	22-Nov-17	13 234	13 159	
8 591	CU Inc.	6.800	13-Aug-19	10 964	10 933	
1 542	CU Inc.	4.801	22-Nov-21	1 730	1 779	
5 437	CU Inc.	6.215	06-Mar-24	5 498	6 989	
3 325	CU Inc.	5.556	30-Oct-37	3 437	4 209	
3 980	CU Inc.	5.580	26-May-38	4 351	5 055	
12 200	Emera Inc.	4.100	20-Oct-14	12 601	12 716	
15 400	Emera Inc.	2.960	13-Dec-16	15 394	15 616	
5 952	Emera Inc.	4.830	02-Dec-19	6 393	6 550	
3 475	Enbridge Gas Distribution Inc.	5.570	29-Jan-14	3 792	3 686	
22 955	Enbridge Inc.	4.770	02-Sep-19	23 559	25 714	
1 867	Enbridge Inc.	4.530	09-Mar-20	1 925	2 059	
10 005	Enbridge Inc.	4.260	01-Feb-21	10 013	10 852	
480	Enbridge Inc.	5.120	28-Sep-40	487	544	
39 957	Enbridge Pipelines Inc.	6.620	19-Nov-18	48 552	49 615	
10 000	Enbridge Pipelines Inc.	4.490	12-Nov-19	11 008	11 237	
1 100	Enbridge Pipelines Inc.	5.080	19-Dec-36	1 264	1 299	
5 770	Enbridge Pipelines Inc.	5.330	06-Apr-40	6 786	7 164	
33 267	EnCana Corp.	5.800	18-Jan-18	37 290	37 255	
12 655	Enersource Corp.	4.521	29-Apr-21	12 700	14 264	
980	EPCOR Utilities Inc.	6.750	22-Mar-16	1 159	1 129	
6 577	EPCOR Utilities Inc.	5.800	31-Jan-18	7 565	7 616	
10 840	EPCOR Utilities Inc.	5.650	16-Nov-35	12 988	13 015	
7 995	FortisBC Inc.	5.480	28-Nov-14	8 746	8 670	
2 775	George Weston Ltd.	6.690	01-Mar-33	3 132	3 195	
1 645	Golden Credit Card Trust	3.824	15-May-15	1 671	1 726	
13 404	Golden Credit Card Trust	3.510	15-May-16	13 947	13 996	
15 870	Great-West Lifeco Inc.	5.998	16-Nov-39	15 937	18 447	
43 380	Greater Toronto Airports Authority	6.250	13-Dec-12	47 384	44 304	
9 888	Greater Toronto Airports Authority	5.260	17-Apr-18	10 826	11 365	
3 900	Greater Toronto Airports Authority	4.530	02-Dec-41	3 911	4 253	
760	HSBC Bank Canada	3.860	21-May-15	768	795	
44 010	HSBC Bank Canada	2.572	23-Nov-15	44 010	44 246	
32 580	HSBC Bank Canada	2.901	13-Jan-17	32 580	32 970	
36 055	HSBC Bank Canada	3.558	04-Oct-17	36 124	37 579	

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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 4 030	Hydro One Inc.	3.130	19-Nov-14	\$ 4 178	\$ 4 165	
7 000	Hydro One Inc.	7.350	03-Jun-30	9 982	10 103	
3 160	Hydro One Inc.	6.930	01-Jun-32	4 374	4 481	
7 115	Hydro One Inc.	6.350	31-Jan-34	9 410	9 635	
9 205	Hydro One Inc.	6.030	03-Mar-39	11 781	12 435	
4 700	Inter Pipeline Fund	3.839	30-Jul-18	4 700	4 921	
11 030	John Deere Canada Funding Inc.	2.300	05-Jul-16	11 027	11 042	
533	Loblaw Companies Ltd.	6.500	22-Jan-29	590	617	
704	Loblaw Companies Ltd.	6.850	01-Mar-32	779	849	
5 785	Loblaw Companies Ltd.	6.050	09-Jun-34	6 321	6 427	
2 123	Loblaw Companies Ltd.	6.450	01-Mar-39	2 460	2 502	
3 332	Lower Mattagami Energy LP	4.331	18-May-21	3 348	3 700	
7 451	Manitoba Telecom Services Inc.	4.590	01-Oct-18	7 450	7 925	
7 268	Manitoba Telecom Services Inc.	5.625	16-Dec-19	7 791	8 152	
4 478	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	4 477	4 697	
58 855	Master Credit Card Trust	5.297	21-Aug-12	59 426	59 158	
8 255	Master Credit Card Trust	3.502	21-May-16	8 621	8 616	
24 892	MI Developments Inc.	6.050	22-Dec-16	24 907	25 783	
18 485	Molson Coors Capital Finance ULC	5.000	22-Sep-15	19 813	19 898	
42 990	National Bank of Canada	2.231	30-Jan-15	43 008	43 162	
17 575	National Bank of Canada	3.261	11-Apr-22	17 575	17 773	
8 400	NAV Canada	5.304	17-Apr-19	9 865	9 828	
3 285	Nova Gas Transmission Ltd.	8.900	27-May-25	4 969	4 917	
7 880	Nova Scotia Power Inc.	8.850	19-May-25	11 827	11 862	
9 274	Ontrea Inc.	4.619	09-Apr-18	9 295	10 131	
16 190	OPB Finance Trust	3.890	04-Jul-42	16 179	16 268	
5 700	Plenary Properties LTAP LP	3.801	18-Aug-14	5 779	5 878	
1 878	Plenary Properties LTAP LP	6.288	31-Jan-44	2 004	2 394	
1 592	Rogers Communications Inc.	5.380	04-Nov-19	1 691	1 788	
910	Rogers Communications Inc.	4.700	29-Sep-20	903	977	
46 104	Rogers Communications Inc.	5.340	22-Mar-21	46 935	51 174	
15 571	Rogers Communications Inc.	6.680	04-Nov-39	16 680	18 444	
1 720	Rogers Communications Inc.	6.560	22-Mar-41	1 766	2 018	
4 600	Royal Bank of Canada*	5.950	18-Jun-14	5 006	4 926	
7 495	Royal Bank of Canada*	3.360	11-Jan-16	7 779	7 769	
7 500	Royal Bank of Canada*	3.030	26-Jul-16	7 702	7 688	
129 404	Royal Bank of Canada*	2.680	08-Dec-16	130 239	130 927	
11 530	Royal Bank of Canada*	3.660	25-Jan-17	12 090	12 141	
133 880	Royal Bank of Canada*	2.580	13-Apr-17	133 572	134 676	
34 121	Royal Bank of Canada*	3.180	02-Nov-20	33 524	34 681	
5 000	Shaw Communications Inc.	5.650	01-Oct-19	5 609	5 541	
16 337	Shaw Communications Inc.	5.500	07-Dec-20	16 391	17 935	
5 757	Shaw Communications Inc.	6.750	09-Nov-39	5 971	6 067	
7 010	Sobeys Inc.	6.060	29-Oct-35	6 891	7 549	
2 607	Sobeys Inc.	5.790	06-Oct-36	2 607	2 707	
7 025	Sobeys Inc.	6.640	07-Jun-40	7 121	8 255	
23 660	Sun Life Capital Trust II	5.863	31-Dec-19	23 910	24 817	
6 710	Sun Life Financial Inc.	4.380	02-Mar-22	6 709	6 823	
4 923	Sun Life Financial Inc.	5.590	30-Jan-23	5 162	5 269	
15 340	Sun Life Financial Inc.	4.950	01-Jun-36	15 416	15 718	
2 010	TELUS Corp.	5.950	15-Apr-15	2 241	2 210	
9 430	TELUS Corp.	3.650	25-May-16	9 416	9 818	
635	TELUS Corp.	5.050	23-Jul-20	641	710	
12 760	Teranet Holdings LP	3.531	16-Dec-15	12 919	13 202	
26 635	Teranet Holdings LP	4.807	16-Dec-20	27 038	29 453	
12 013	Teranet Holdings LP	5.754	17-Dec-40	12 248	12 805	

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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 3 623	Teranet Holdings LP	6.100	17-Jun-41	\$ 3 751	\$ 4 137	
3 600	Terasen Gas Inc.	11.800	30-Sep-15	5 046	4 660	
7 510	Terasen Gas Inc.	10.300	30-Sep-16	10 325	9 888	
3 510	Terasen Gas Vancouver Island Inc.	5.200	06-Dec-40	3 500	4 225	
7 095	The Manufacturers Life Insurance Co.	4.210	18-Nov-21	7 095	7 305	
14 215	The Manufacturers Life Insurance Co.	4.165	01-Jun-22	14 215	14 502	
5 750	Thomson Reuters Corp.	6.000	31-Mar-16	6 474	6 495	
110 965	Toronto-Dominion Bank	5.382	01-Nov-17	111 731	112 248	
9 530	Toronto-Dominion Bank	5.690	03-Jun-18	10 112	9 865	
2 455	Toronto Hydro Corp.	6.110	06-May-13	2 682	2 550	
22 222	Toronto Hydro Corp.	5.150	14-Nov-17	25 125	25 335	
3 039	Toronto Hydro Corp.	4.490	12-Nov-19	3 341	3 408	
14 468	Toronto Hydro Corp.	3.540	18-Nov-21	14 488	15 138	
9 390	TransAlta Corp.	6.450	29-May-14	10 215	9 972	
2 740	TransCanada PipeLines Ltd.	9.450	20-Mar-18	3 676	3 690	
380	Union Gas Ltd.	4.640	30-Jun-16	409	416	
36 125	Union Gas Ltd.	5.350	27-Apr-18	41 742	41 777	
8 575	Union Gas Ltd.	8.750	03-Aug-18	11 447	11 428	
2 575	Union Gas Ltd.	4.850	25-Apr-22	2 899	2 966	
9 590	Union Gas Ltd.	8.650	10-Nov-25	13 511	14 480	
1 150	Union Gas Ltd.	4.880	21-Jun-41	1 149	1 326	
18 354	Veresen Inc.	3.950	14-Mar-17	18 439	18 633	
4 795	Veresen Inc.	4.000	22-Nov-18	4 782	4 830	
627	Viking Rideau	6.750	10-Mar-14	633	649	
6 000	Wells Fargo Financial Canada Corp.	6.050	27-Aug-12	6 369	6 040	
44 690	Wells Fargo Financial Canada Corp.	5.200	13-Sep-12	45 676	44 999	
22 625	Wells Fargo Financial Canada Corp.	4.400	12-Dec-12	22 386	22 902	
7 380	Wells Fargo Financial Canada Corp.	4.330	06-Dec-13	7 707	7 641	
18 930	Wells Fargo Financial Canada Corp.	3.970	03-Nov-14	19 728	19 711	
20 101	Wells Fargo Financial Canada Corp.	4.380	30-Jun-15	21 390	21 304	
52 435	Wells Fargo Financial Canada Corp.	2.774	09-Feb-17	52 430	52 576	
2 616	Westcoast Energy Inc.	3.280	15-Jan-16	2 657	2 705	
19 250	Westcoast Energy Inc.	8.500	04-Sep-18	25 289	25 145	
12 041	Westcoast Energy Inc.	5.600	16-Jan-19	13 997	14 109	
6 825	Westcoast Energy Inc.	7.150	20-Mar-31	8 935	9 589	
5 000	Westcoast Energy Inc.	4.791	28-Oct-41	5 000	5 567	
6 512	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	6 603	7 739	
				3 266 859	3 338 563	41.6
FEDERAL						
45 261	Canada Housing Trust No. 1	4.100	15-Dec-18	50 705	51 408	
121 603	Canada Housing Trust No. 1	3.750	15-Mar-20	132 855	136 465	
60 065	Canada Housing Trust No. 1	2.650	15-Mar-22	61 741	62 102	
4 788	CBC Monetization Trust	4.688	15-May-27	4 795	5 427	
6 967	Government of Canada	1.750	01-Mar-13	7 006	7 003	
1 730	Government of Canada	2.500	01-Sep-13	1 761	1 760	
7 414	Government of Canada	3.000	01-Dec-15	7 864	7 865	
75 108	Government of Canada	1.500	01-Mar-17	75 898	75 951	
1 693	Government of Canada	4.000	01-Jun-17	1 912	1 911	
3 702	Government of Canada	4.250	01-Jun-18	4 306	4 304	
84 739	Government of Canada	2.750	01-Jun-22	92 371	92 496	
1 135	Government of Canada	5.750	01-Jun-29	1 713	1 707	
20 548	Government of Canada	4.000	01-Jun-41	27 690	27 743	
				470 617	476 142	5.9

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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL						
\$ 9 273	Cadillac Fairview Finance Trust	3.240	25-Jan-16	\$ 9 290	\$ 9 646	
9 390	Hospital for Sick Children	5.217	16-Dec-49	9 261	11 526	
391	Hydro-Quebec	11.000	15-Aug-20	627	630	
5 030	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	5 024	5 190	
28 325	Ontario Electricity Financial Corp.	8.500	26-May-25	38 247	44 405	
7 988	Ontario Electricity Financial Corp.	9.000	26-May-25	12 246	12 942	
50 915	Ontario Electricity Financial Corp.	8.250	22-Jun-26	68 116	79 879	
10 903	Province of New Brunswick	3.550	03-Jun-43	10 867	10 920	
45 402	Province of Ontario	4.400	02-Jun-19	50 148	51 450	
9 809	Province of Ontario	4.000	02-Jun-21	10 555	10 864	
28 666	Province of Ontario	9.500	13-Jul-22	42 305	45 304	
42 638	Province of Ontario	8.100	08-Sep-23	59 742	63 726	
66 042	Province of Ontario	8.500	02-Dec-25	96 825	105 003	
14 725	Province of Ontario	8.000	02-Jun-26	18 908	22 723	
519 787	Province of Ontario	7.600	02-Jun-27	716 029	791 231	
227 394	Province of Ontario	6.500	08-Mar-29	298 135	321 657	
37 045	Province of Ontario	6.200	02-Jun-31	49 754	51 623	
53 094	Province of Ontario	5.850	08-Mar-33	71 194	72 195	
80 792	Province of Ontario	5.600	02-Jun-35	107 122	108 083	
53 846	Province of Ontario	4.700	02-Jun-37	56 673	64 792	
75 811	Province of Ontario	4.600	02-Jun-39	79 115	90 864	
72 811	Province of Ontario	4.650	02-Jun-41	83 407	89 130	
67 490	Province of Quebec	4.500	01-Dec-19	71 678	76 786	
11 170	Province of Quebec	4.250	01-Dec-21	12 223	12 517	
102 502	Province of Quebec	3.500	01-Dec-22	106 640	107 876	
44 449	Province of Quebec	9.375	16-Jan-23	67 974	70 040	
27 550	Province of Quebec	8.500	01-Apr-26	43 392	43 470	
38 649	Province of Quebec	6.000	01-Oct-29	45 674	51 756	
36 676	Province of Quebec	6.250	01-Jun-32	44 436	50 998	
38 886	Province of Quebec	5.750	01-Dec-36	52 180	52 430	
2 700	Province of Quebec	5.000	01-Dec-38	3 318	3 346	
22 917	Province of Quebec	5.000	01-Dec-41	28 270	28 988	
19 475	TransLink	3.800	02-Nov-20	19 441	20 834	
				2 388 816	2 582 824	32.2
TOTAL CANADIAN BONDS				6 126 292	6 397 529	79.7
UNITED KINGDOM BONDS						
17 945	BAA Funding Ltd. CAD	4.000	03-Jul-19	17 831	17 879	
TOTAL UNITED KINGDOM BONDS				17 831	17 879	0.2
UNITED STATES BONDS						
19 090	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	19 239	20 032	
44 398	Bank of America Corp. CAD	4.810	01-Jun-16	44 191	38 404	
54 075	Bear Stearns Cos LLC CAD	4.350	20-Jul-12	53 036	54 145	
8 125	Goldman Sachs Group Inc. CAD	5.200	19-Apr-22	8 063	7 627	
32 750	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	31 368	30 409	
53 372	Molson Coors International LP CAD	3.950	06-Oct-17	53 693	55 486	
TOTAL UNITED STATES BONDS				209 590	206 103	2.6
TOTAL BONDS				6 353 713	6 621 511	82.5
MORTGAGE-BACKED SECURITIES						
3 575	Data Centres Trust	7.233	10-Sep-14	3 806	3 588	
12 701	Equitable Trust	4.350	01-Jan-18	13 149	14 047	
7 185	Merrill Lynch Mortgage Loans Inc.	7.767	05-Sep-21	7 256	7 805	
3 937	Peoples Trust	4.200	01-Oct-19	3 938	4 368	
TOTAL MORTGAGE-BACKED SECURITIES				28 149	29 808	0.4

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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

Par Value	Security	Cost	Fair Value	% of Net Assets
MORTGAGES				
CMHC Insured				
\$ 1 789	4.670% Jun 15, 2013	\$ 1 789	\$ 1 834	
662	5.770% Jul 01, 2014	666	707	
23 666	4.980% Jan 01, 2018	23 666	26 757	
25 680	5.040% Jan 01, 2019	25 845	29 510	
3 327	4.860% Jun 05, 2020	3 373	3 773	
4 191	4.260% Nov 01, 2022	4 241	4 417	
TOTAL MORTGAGES		59 580	66 998	0.8
SHORT-TERM INVESTMENTS†				
69 900	Bay Street Funding Trust - Class A	69 717	69 717	
90 950	Brookfield Asset Management Inc., Class A	90 771	90 771	
5 300	Cenovus Energy Inc.	5 294	5 294	
56 975	Darwin Receivables Trust - Senior Notes	56 829	56 829	
57 575	Enbridge Inc.	57 522	57 522	
226 050	Fusion Trust	225 360	225 360	
18 300	HSBC Bank Canada	18 269	18 269	
159 425	Inter Pipeline Fund	158 921	158 921	
5 000	King Street Funding Trust	4 995	4 995	
134 410	Merit Trust - Senior Notes	134 058	134 058	
10 100	OMERS Realty Corp.	10 081	10 081	
141 525	Prime Trust - Senior Notes	141 174	141 174	
147 025	Reliant Trust	146 583	146 583	
31 025	SUMMIT Trust	30 931	30 931	
9 365	TELUS Corp.	9 345	9 345	
12 900	TransCanada PipeLines Ltd.	12 881	12 881	
87 800	Zeus Receivables Trust - Senior Notes	87 538	87 538	
TOTAL SHORT-TERM INVESTMENTS		1 260 269	1 260 269	15.7
TOTAL INVESTMENTS		\$ 7 701 711	7 978 586	99.4
OTHER NET ASSETS			44 809	0.6
NET ASSETS			\$ 8 023 395	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.10% to 1.35% and mature between July 3, 2012 and September 27, 2012.

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 7 978 586	\$ 7 198 411
Cash	3 227	1 270
Due from investment dealers	45 194	11 597
Subscriptions receivable	24 634	20 765
Dividends receivable, interest accrued and other assets	52 249	47 750
TOTAL ASSETS	8 103 890	7 279 793
LIABILITIES		
Due to investment dealers	67 814	20 543
Redemptions payable	11 800	6 998
Accounts payable and accrued expenses	881	822
TOTAL LIABILITIES	80 495	28 363
NET ASSETS	\$ 8 023 395	\$ 7 251 430
Investments at cost	\$ 7 701 711	\$ 6 897 725
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 225 642	\$ 192 755
ADVISOR SERIES	\$ 48 348	\$ 22 738
SERIES B	\$ 4 255	\$ 4 507
SERIES D	\$ 872 850	\$ 860 486
SERIES F	\$ 113 452	\$ 97 573
SERIES O	\$ 6 758 848	\$ 6 073 371
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 10.78	\$ 10.75
ADVISOR SERIES	\$ 10.78	\$ 10.75
SERIES B	\$ 10.82	\$ 10.79
SERIES D	\$ 10.70	\$ 10.67
SERIES F	\$ 10.75	\$ 10.72
SERIES O	\$ 10.73	\$ 10.70
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 10.79	\$ 10.76
ADVISOR SERIES	\$ 10.79	\$ 10.76
SERIES B	\$ 10.84	\$ 10.80
SERIES D	\$ 10.71	\$ 10.68
SERIES F	\$ 10.76	\$ 10.73
SERIES O	\$ 10.74	\$ 10.71

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

(see note 2 in the generic notes)	2012	2011
For the periods ended June 30		
INCOME (see note 3 in the generic notes)		
Interest	\$ 144 376	\$ 120 712
TOTAL INCOME (LOSS)	144 376	120 712
EXPENSES (see notes – Fund Specific Information)		
Management fees	3 680	2 923
Administration fees	961	740
Board of Governors costs	2	2
GST/HST	513	422
TOTAL EXPENSES	5 156	4 087
NET INVESTMENT INCOME (LOSS)	139 220	116 625
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	41 674	30 333
Net gain (loss) on foreign currencies and other net assets	–	1 237
Change in unrealized gain (loss) in value of investments	(23 811)	(16 849)
NET GAIN (LOSS) ON INVESTMENTS	17 863	14 721
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
	\$ 157 083	\$ 131 346
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 3 204	\$ 2 364
ADVISOR SERIES	\$ 623	\$ 107
SERIES B	\$ 68	\$ 83
SERIES D	\$ 15 150	\$ 15 423
SERIES F	\$ 1 922	\$ 1 479
SERIES O	\$ 136 116	\$ 111 890
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.17	\$ 0.18
ADVISOR SERIES	\$ 0.17	\$ 0.18
SERIES B	\$ 0.18	\$ 0.20
SERIES D	\$ 0.20	\$ 0.20
SERIES F	\$ 0.20	\$ 0.20
SERIES O	\$ 0.23	\$ 0.23

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 192 755	\$ 138 068	\$ 22 738	\$ 1 980	\$ 4 507	\$ 5 476	\$ 860 486	\$ 819 257
INCREASE (DECREASE) FROM OPERATIONS	3 204	2 364	623	107	68	83	15 150	15 423
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	53 602	42 391	27 987	7 523	–	–	75 609	57 003
Proceeds from reinvestment of distributions	2 450	2 231	422	101	55	82	12 192	14 587
Payments on redemption of units	(23 710)	(34 385)	(2 931)	(237)	(320)	(1 073)	(77 600)	(91 596)
TOTAL UNIT TRANSACTIONS	32 342	10 237	25 478	7 387	(265)	(991)	10 201	(20 006)
Distributions from net income	(2 659)	(2 369)	(491)	(115)	(55)	(83)	(12 987)	(15 585)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(2 659)	(2 369)	(491)	(115)	(55)	(83)	(12 987)	(15 585)
TOTAL INCREASE (DECREASE) IN NET ASSETS	32 887	10 232	25 610	7 379	(252)	(991)	12 364	(20 168)
NET ASSETS – END OF PERIOD	\$ 225 642	\$ 148 300	\$ 48 348	\$ 9 359	\$ 4 255	\$ 4 485	\$ 872 850	\$ 799 089

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 97 573	\$ 69 567	\$ 6 073 371	\$ 4 623 263	\$ 7 251 430	\$ 5 657 611
INCREASE (DECREASE) FROM OPERATIONS	1 922	1 479	136 116	111 890	157 083	131 346
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	28 396	19 955	1 059 142	1 132 487	1 244 736	1 259 359
Proceeds from reinvestment of distributions	1 424	1 314	113 851	110 343	130 394	128 658
Payments on redemption of units	(14 228)	(12 963)	(506 231)	(460 984)	(625 020)	(601 238)
TOTAL UNIT TRANSACTIONS	15 592	8 306	666 762	781 846	750 110	786 779
Distributions from net income	(1 635)	(1 478)	(117 401)	(112 991)	(135 228)	(132 621)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(1 635)	(1 478)	(117 401)	(112 991)	(135 228)	(132 621)
TOTAL INCREASE (DECREASE) IN NET ASSETS	15 879	8 307	685 477	780 745	771 965	785 504
NET ASSETS – END OF PERIOD	\$ 113 452	\$ 77 874	\$ 6 758 848	\$ 5 404 008	\$ 8 023 395	\$ 6 443 115

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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
AAA	8.9	11.4
AA	52.5	54.4
A	23.3	20.7
BBB	14.3	12.3
D	—	0.1
Unrated*	1.0	1.1
Total debt securities	100.0	100.0

* Mortgages, which represent 100% (December 31, 2011 – 100%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer.

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	June 30 2012	December 31 2011
Less than 1 year	6.6	11.1
1 – 5 years	28.6	25.1
5 – 10 years	23.2	22.0
> 10 years	41.6	41.8
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.0% (December 31, 2011 – 5.9%). 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	6 718 317	—	6 718 317
Short-term investments	—	1 260 269	—	1 260 269
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	7 978 586	—	7 978 586
% of total portfolio	—	100.0	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	5 870 056	—	5 870 056
Short-term investments	—	1 328 355	—	1 328 355
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	7 198 411	—	7 198 411
% of total portfolio	—	100.0	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series B	0.75%
Series D	0.50% (note 1)
Series F	0.50%

Note 1: Management fees are calculated at the annual rate of 0.50% of the Series D net asset value, 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 net asset value of Series D.

Net Asset Value 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

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series B	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.02%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	50	50
Advisor Series	100	99
Series B	50	50
Series F	51	50
Value of all units	\$ 3	\$ 3

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	17 926	13 386
Issued number of units	4 980	4 118
Reinvested number of units	228	217
Redeemed number of units	(2 205)	(3 346)
Ending number of units	20 929	14 375

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

	2012	2011
Advisor Series		
Opening units	2 115	192
Issued number of units	2 602	728
Reinvested number of units	39	10
Redeemed number of units	(272)	(23)
Ending number of units	4 484	907
Series B		
Opening units	418	529
Issued number of units	—	—
Reinvested number of units	5	8
Redeemed number of units	(30)	(104)
Ending number of units	393	433
Series D		
Opening units	80 648	80 022
Issued number of units	7 077	5 577
Reinvested number of units	1 142	1 430
Redeemed number of units	(7 264)	(8 970)
Ending number of units	81 603	(78 059)
Series F		
Opening units	9 104	6 766
Issued number of units	2 647	1 943
Reinvested number of units	133	128
Redeemed number of units	(1 326)	(1 264)
Ending number of units	10 558	7 573
Series O		
Opening units	567 456	450 231
Issued number of units	98 918	110 043
Reinvested number of units	10 631	10 780
Redeemed number of units	(47 193)	(44 785)
Ending number of units	629 812	526 269

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North LifeTime 2015 Fund	28	12
Phillips, Hager & North LifeTime 2020 Fund	21	8
Phillips, Hager & North LifeTime 2025 Fund	7	3
Phillips, Hager & North Balanced Pension Trust	40 163	44 871
RBC Select Very Conservative Portfolio	83 951	67 501
RBC Select Conservative Portfolio	113 496	102 332
Total	237 666	214 727

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 200	407 International Inc.	5.960	03-Dec-35	\$ 215	\$ 260	
200	407 International Inc.	4.450	15-Nov-41	200	216	
195	Aéroports de Montréal	6.950	16-Apr-32	212	253	
285	Alliance Pipeline LP	7.181	30-Jun-23	348	352	
126	Alliance Pipeline LP	6.765	31-Dec-25	145	153	
76	Alliance Pipeline LP	7.217	31-Dec-25	94	94	
75	AltaGas Ltd.	4.070	01-Jun-20	75	77	
200	AltaLink Investments LP	5.207	16-Dec-16	200	218	
266	AltaLink Investments LP	3.674	05-Jun-19	266	266	
73	AltaLink LP	4.462	08-Nov-41	73	79	
860	American Express Canada Credit Corp.	5.900	02-Apr-13	859	886	
980	Bank of Montreal	5.180	10-Jun-15	1 071	1 067	
710	Bank of Montreal	3.490	10-Jun-16	712	740	
2 208	Bank of Montreal	2.960	02-Aug-16	2 234	2 259	
45	Bank of Montreal	5.450	17-Jul-17	51	51	
720	Bank of Nova Scotia	2.250	08-May-15	720	723	
50	Bank of Nova Scotia	3.610	22-Feb-16	52	52	
511	Bank of Nova Scotia	2.740	01-Dec-16	514	518	
870	Bank of Nova Scotia	2.598	27-Feb-17	870	876	
895	Bank of Nova Scotia	4.100	08-Jun-17	898	962	
980	Bank of Nova Scotia	6.000	03-Oct-18	991	1 029	
335	Bank of Nova Scotia	4.940	15-Apr-19	338	352	
160	BC Tel	9.650	08-Apr-22	216	236	
125	bcIMC Realty Corp.	2.650	29-Jun-17	125	125	
260	bcIMC Realty Corp.	3.510	29-Jun-22	260	261	
425	Bell Aliant Regional Communications LP	4.950	26-Feb-14	392	442	
65	Bell Aliant Regional Communications LP	6.290	17-Feb-15	72	71	
310	Bell Aliant Regional Communications LP	4.880	26-Apr-18	313	329	
495	Bell Canada	4.400	16-Mar-18	496	529	
350	Bell Canada	3.350	18-Jun-19	349	351	
275	Bell Canada	4.950	19-May-21	274	302	
25	Bell Canada	6.550	01-May-29	23	30	
75	Bell Canada	7.850	02-Apr-31	82	103	
170	Brookfield Asset Management Inc.	3.950	09-Apr-19	170	172	
100	Brookfield Asset Management Inc.	5.300	01-Mar-21	100	109	
150	Brookfield Asset Management Inc.	5.950	14-Jun-35	149	146	
215	Brookfield Renewable Power Inc.	6.132	30-Nov-16	215	240	
283	BRP Finance ULC	4.790	07-Feb-22	283	294	
673	Caisse Centrale Desjardins	3.502	05-Oct-17	678	702	
325	Calloway Real Estate Investment Trust	5.370	12-Oct-16	324	350	
400	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	411	427	
635	Canadian Imperial Bank of Commerce	2.200	22-May-15	634	637	
530	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	538	550	
1 186	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	1 188	1 198	
932	Canadian Imperial Bank of Commerce	3.950	14-Jul-17	941	996	
70	Canadian Pacific Railway Ltd.	6.450	17-Nov-39	70	81	
210	Capital Desjardins Inc.	5.187	05-May-20	210	235	
41	Capital Desjardins Inc.	3.797	23-Nov-20	41	42	
500	Central 1 Credit Union	4.000	09-Oct-19	499	506	

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 170	Centre Street Trust	3.690	14-Jun-21	\$ 170	\$ 170	
150	CI Investments Inc.	3.940	14-Dec-16	150	155	
125	CU Inc.	6.145	22-Nov-17	150	149	
295	CU Inc.	6.800	13-Aug-19	378	375	
70	CU Inc.	6.215	06-Mar-24	88	90	
190	CU Inc.	6.500	07-Mar-39	212	271	
140	Emera Inc.	4.100	20-Oct-14	142	146	
285	Emera Inc.	2.960	13-Dec-16	285	289	
300	Emera Inc.	4.830	02-Dec-19	321	330	
310	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	344	355	
860	Enbridge Inc.	4.770	02-Sep-19	867	963	
110	Enbridge Inc.	5.120	28-Sep-40	110	125	
120	Enbridge Pipelines Inc.	5.330	06-Apr-40	120	149	
580	EnCana Corp.	5.800	18-Jan-18	651	650	
270	Enersource Corp.	4.521	29-Apr-21	270	304	
280	EPCOR Utilities Inc.	6.750	22-Mar-16	331	323	
115	EPCOR Utilities Inc.	5.800	31-Jan-18	132	133	
35	EPCOR Utilities Inc.	5.650	16-Nov-35	42	42	
330	Finning International Inc.	6.020	01-Jun-18	385	385	
380	Gaz Metropolitain Inc.	4.930	18-Jun-19	434	436	
1 713	Golden Credit Card Trust	3.510	15-May-16	1 743	1 789	
535	Great-West Lifeco Inc.	5.998	16-Nov-39	537	622	
385	Greater Toronto Airports Authority	6.250	13-Dec-12	419	393	
350	Greater Toronto Airports Authority	5.960	20-Nov-19	425	426	
115	Greater Toronto Airports Authority	7.050	12-Jun-30	135	159	
300	Greater Toronto Airports Authority	4.530	02-Dec-41	300	327	
760	HSBC Bank Canada	2.572	23-Nov-15	760	764	
595	HSBC Bank Canada	2.901	13-Jan-17	595	602	
1 190	HSBC Bank Canada	3.558	04-Oct-17	1 200	1 240	
100	Hydro One Inc.	6.030	03-Mar-39	100	135	
200	John Deere Credit Inc.	3.900	29-Jul-13	200	205	
190	John Deere Canada Funding Inc.	2.300	05-Jul-16	190	190	
120	Loblaw Companies Ltd.	6.450	09-Feb-28	133	138	
120	Lower Mattagami Energy LP	4.331	18-May-21	120	133	
173	Manitoba Telecom Services Inc.	4.590	01-Oct-18	173	184	
108	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	108	113	
1 265	Master Credit Card Trust	5.297	21-Aug-12	1 265	1 272	
197	Master Credit Card Trust	2.626	21-Jan-17	198	199	
915	National Bank of Canada	2.231	30-Jan-15	916	919	
660	National Bank of Canada	3.261	11-Apr-22	660	667	
125	NAV Canada	5.304	17-Apr-19	147	146	
75	Nova Scotia Power Inc.	8.850	19-May-25	113	113	
201	Ontrea Inc.	4.619	09-Apr-18	201	220	
245	OPB Finance Trust	3.890	04-Jul-42	245	246	
300	Plenary Health Hamilton LP	3.157	13-Dec-13	300	304	
45	Plenary Properties LTAP LP	6.288	31-Jan-44	48	57	
69	Rogers Communications Inc.	5.380	04-Nov-19	73	77	
135	Rogers Communications Inc.	4.700	29-Sep-20	135	145	
740	Rogers Communications Inc.	5.340	22-Mar-21	745	821	
240	Rogers Communications Inc.	6.680	04-Nov-39	240	284	
605	Royal Bank of Canada*	3.360	11-Jan-16	626	627	
1 345	Royal Bank of Canada*	2.680	08-Dec-16	1 350	1 361	
3 585	Royal Bank of Canada*	2.580	13-Apr-17	3 575	3 606	
1 120	Royal Bank of Canada*	3.180	02-Nov-20	1 095	1 138	
760	Shaw Communications Inc.	5.500	07-Dec-20	770	834	
50	Shaw Communications Inc.	6.750	09-Nov-39	49	53	

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 95	Sobeys Inc.	6.640	07-Jun-40	\$ 95	\$ 112	
590	Sun Life Capital Trust II	5.863	31-Dec-19	589	619	
615	Sun Life Financial Inc.	5.590	30-Jan-23	617	658	
80	TELUS Corp.	5.950	15-Apr-15	88	88	
390	TELUS Corp.	3.650	25-May-16	392	406	
390	TELUS Corp.	4.950	15-Mar-17	397	428	
150	Teranet Holdings LP	3.531	16-Dec-15	153	155	
320	Teranet Holdings LP	4.807	16-Dec-20	318	354	
270	Teranet Holdings LP	5.754	17-Dec-40	267	288	
100	Terasen Gas Inc.	6.500	01-May-34	113	137	
400	The Manufacturers Life Insurance Co.	4.165	01-Jun-22	400	408	
3 595	Toronto-Dominion Bank	5.382	01-Nov-17	3 678	3 637	
225	Toronto-Dominion Bank	5.690	03-Jun-18	221	233	
60	Toronto Hydro Corp.	6.110	06-May-13	66	62	
390	Toronto Hydro Corp.	5.150	14-Nov-17	444	445	
138	Toronto Hydro Corp.	3.540	18-Nov-21	138	144	
140	TransAlta Corp.	6.450	29-May-14	150	149	
1 470	TransCanada PipeLines Ltd.	9.450	20-Mar-18	1 971	1 981	
105	TransCanada PipeLines Ltd.	3.650	15-Nov-21	105	112	
25	TransCanada PipeLines Ltd.	7.900	15-Apr-27	33	36	
860	Union Gas Ltd.	7.900	24-Feb-14	980	944	
90	Union Gas Ltd.	9.700	06-Nov-17	124	121	
100	Union Gas Ltd.	8.750	03-Aug-18	133	133	
125	Union Gas Ltd.	4.880	21-Jun-41	126	144	
452	Veresen Inc.	3.950	14-Mar-17	454	459	
180	Veresen Inc.	4.000	22-Nov-18	180	181	
285	Westcoast Energy Inc.	5.600	16-Jan-19	328	334	
167	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	167	198	
				58 389	60 262	44.4
FEDERAL						
82	Canada Housing Trust No. 1	4.100	15-Dec-18	92	93	
2 226	Canada Housing Trust No. 1	3.750	15-Mar-20	2 450	2 498	
1 333	Canada Housing Trust No. 1	2.650	15-Mar-22	1 370	1 378	
136	CBC Monetization Trust	4.688	15-May-27	136	154	
25	Government of Canada	3.000	01-Dec-15	27	27	
694	Government of Canada	1.500	01-Mar-17	701	702	
333	Government of Canada	4.000	01-Jun-17	376	376	
417	Government of Canada	4.250	01-Jun-18	486	485	
1 018	Government of Canada	2.750	01-Jun-22	1 111	1 111	
250	Government of Canada	4.000	01-Jun-41	337	338	
				7 086	7 162	5.3
PROVINCIAL/MUNICIPAL						
337	Cadillac Fairview Finance Trust	3.240	25-Jan-16	337	351	
210	Hospital for Sick Children	5.217	16-Dec-49	205	258	
86	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	86	89	
145	Ontario Electricity Financial Corp.	9.000	26-May-25	223	235	
160	Ontario Electricity Financial Corp.	8.250	22-Jun-26	227	251	
185	Province of New Brunswick	3.550	03-Jun-43	184	185	
678	Province of Ontario	4.400	02-Jun-19	749	768	
346	Province of Ontario	4.200	02-Jun-20	367	388	
242	Province of Ontario	4.000	02-Jun-21	259	268	
201	Province of Ontario	3.150	02-Jun-22	207	208	
1 452	Province of Ontario	8.100	08-Sep-23	2 010	2 170	
1 190	Province of Ontario	8.500	02-Dec-25	1 699	1 892	
9 424	Province of Ontario	7.600	02-Jun-27	12 838	14 345	
5 954	Province of Ontario	6.500	08-Mar-29	8 033	8 422	
125	Province of Ontario	6.200	02-Jun-31	158	174	

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

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

PHILLIPS, HAGER & NORTH
Investment Management™

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
\$ 1 910	Province of Ontario	5.850	08-Mar-33	\$ 2 262	\$ 2 597	
1 446	Province of Ontario	5.600	02-Jun-35	1 917	1 934	
425	Province of Ontario	4.700	02-Jun-37	447	511	
1 003	Province of Ontario	4.600	02-Jun-39	1 027	1 202	
126	Province of Ontario	4.650	02-Jun-41	151	154	
189	Province of Quebec	4.250	01-Dec-21	207	212	
1 635	Province of Quebec	3.500	01-Dec-22	1 713	1 721	
789	Province of Quebec	9.375	16-Jan-23	1 202	1 243	
480	Province of Quebec	8.500	01-Apr-26	756	757	
1 031	Province of Quebec	6.000	01-Oct-29	1 196	1 381	
760	Province of Quebec	6.250	01-Jun-32	1 024	1 057	
630	Province of Quebec	5.750	01-Dec-36	749	849	
468	Province of Quebec	5.000	01-Dec-41	578	592	
430	TransLink	3.800	02-Nov-20	430	460	
				41 241	44 674	32.9
TOTAL CANADIAN BONDS				106 716	112 098	82.6
UNITED KINGDOM BONDS						
305	BAA Funding Ltd. CAD	4.000	03-Jul-19	303	304	
TOTAL UNITED KINGDOM BONDS				303	304	0.2
TOTAL BONDS				107 019	112 402	82.8
MORTGAGE-BACKED SECURITIES						
362	Equitable Trust	4.350	01-Jan-18	374	400	
114	Peoples Trust	4.200	01-Oct-19	114	126	
TOTAL MORTGAGE-BACKED SECURITIES				488	526	0.4
SHORT-TERM INVESTMENTS†						
3 700	Bay Street Funding Trust - Class A			3 691	3 691	
900	Brookfield Asset Management Inc., Class A			899	899	
350	Cenovus Energy Inc.			350	350	
1 000	Darwin Receivables Trust - Senior Notes			997	997	
1 500	Enbridge Inc.			1 499	1 499	
1 000	Fusion Trust			997	997	
2 600	HSBC Bank Canada			2 598	2 598	
3 550	Inter Pipeline Fund			3 539	3 539	
1 000	Merit Trust - Senior Notes			997	997	
950	National Bank of Canada			949	949	
3 600	Prime Trust - Senior Notes			3 589	3 589	
1 800	Reliant Trust			1 795	1 795	
TOTAL SHORT-TERM INVESTMENTS				21 900	21 900	16.1
TOTAL INVESTMENTS				\$ 129 407	134 828	99.3
OTHER NET ASSETS					1 024	0.7
NET ASSETS					\$ 135 852	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.12% to 1.30% and mature between July 9, 2012 and September 25, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 134 828	\$ 132 984
Cash	182	73
Due from investment dealers	2 984	–
Subscriptions receivable	31	132
Dividends receivable, interest accrued and other assets	969	832
TOTAL ASSETS	138 994	134 021
LIABILITIES		
Due to investment dealers	2 161	–
Redemptions payable	952	167
Accounts payable and accrued expenses	29	28
TOTAL LIABILITIES	3 142	195
NET ASSETS	\$ 135 852	\$ 133 826
Investments at cost	\$ 129 407	\$ 126 583
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 8 483	\$ 7 881
ADVISOR SERIES	\$ 3 262	\$ 2 343
SERIES B	\$ 310	\$ 332
SERIES D	\$ 22 381	\$ 21 524
SERIES F	\$ 3 748	\$ 3 463
SERIES O	\$ 97 668	\$ 98 283
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 11.42	\$ 11.39
ADVISOR SERIES	\$ 11.42	\$ 11.39
SERIES B	\$ 11.45	\$ 11.42
SERIES D	\$ 11.35	\$ 11.33
SERIES F	\$ 11.39	\$ 11.36
SERIES O	\$ 11.22	\$ 11.20
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 11.43	\$ 11.41
ADVISOR SERIES	\$ 11.43	\$ 11.41
SERIES B	\$ 11.46	\$ 11.43
SERIES D	\$ 11.36	\$ 11.34
SERIES F	\$ 11.40	\$ 11.38
SERIES O	\$ 11.24	\$ 11.21

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Interest	\$ 2 478	\$ 2 663
TOTAL INCOME (LOSS)	2 478	2 663
EXPENSES (see notes – Fund Specific Information)		
Management fees	120	87
Administration fees	31	34
Board of Governors costs	2	2
GST/HST	17	14
TOTAL EXPENSES	170	137
NET INVESTMENT INCOME (LOSS)	2 308	2 526
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	1 121	653
Net gain (loss) on foreign currencies and other net assets	–	26
Change in unrealized gain (loss) in value of investments	(980)	(369)
NET GAIN (LOSS) ON INVESTMENTS	141	310
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 2 449	\$ 2 836
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 117	\$ 93
ADVISOR SERIES	\$ 43	\$ 7
SERIES B	\$ 4	\$ 6
SERIES D	\$ 351	\$ 343
SERIES F	\$ 60	\$ 68
SERIES O	\$ 1 874	\$ 2 319
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.16	\$ 0.17
ADVISOR SERIES	\$ 0.16	\$ 0.17
SERIES B	\$ 0.17	\$ 0.18
SERIES D	\$ 0.19	\$ 0.20
SERIES F	\$ 0.19	\$ 0.20
SERIES O	\$ 0.21	\$ 0.23

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 7 881	\$ 5 265	\$ 2 343	\$ 1	\$ 332	\$ 361	\$ 21 524	\$ 20 965
INCREASE (DECREASE) FROM OPERATIONS	117	93	43	7	4	6	351	343
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from units issued	1 097	1 726	1 035	477	—	—	2 142	1 111
Proceeds from reinvestment of distributions	97	94	34	4	4	6	293	333
Payments on redemption of units	(612)	(483)	(158)	—	(26)	(16)	(1 619)	(3 030)
TOTAL UNIT TRANSACTIONS	582	1 337	911	481	(22)	(10)	816	(1 586)
Distributions from net income	(97)	(95)	(35)	(4)	(4)	(6)	(310)	(351)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS	(97)	(95)	(35)	(4)	(4)	(6)	(310)	(351)
TOTAL INCREASE (DECREASE) IN NET ASSETS	602	1 335	919	484	(22)	(10)	857	(1 594)
NET ASSETS – END OF PERIOD	\$ 8 483	\$ 6 600	\$ 3 262	\$ 485	\$ 310	\$ 351	\$ 22 381	\$ 19 371

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 3 463	\$ 3 212	\$ 98 283	\$ 99 984	\$ 133 826	\$ 129 788
INCREASE (DECREASE) FROM OPERATIONS	60	68	1 874	2 319	2 449	2 836
Early redemption fees	—	—	—	—	—	—
Proceeds from units issued	356	837	3 811	16 933	8 441	21 084
Proceeds from reinvestment of distributions	52	58	1 339	1 869	1 819	2 364
Payments on redemption of units	(131)	(985)	(5 969)	(5 672)	(8 515)	(10 186)
TOTAL UNIT TRANSACTIONS	277	(90)	(819)	13 130	1 745	13 262
Distributions from net income	(52)	(58)	(1 670)	(2 270)	(2 168)	(2 784)
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS	(52)	(58)	(1 670)	(2 270)	(2 168)	(2 784)
TOTAL INCREASE (DECREASE) IN NET ASSETS	285	(80)	(615)	13 179	2 026	13 314
NET ASSETS – END OF PERIOD	\$ 3 748	\$ 3 132	\$ 97 668	\$ 113 163	\$ 135 852	\$ 143 102

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

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
AAA	10.3	15.6
AA	56.2	57.5
A	21.7	14.9
BBB	11.8	12.0
Total debt securities	100.0	100.0

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	June 30 2012	December 31 2011
Less than 1 year	5.8	6.9
1 – 5 years	27.0	25.0
5 – 10 years	24.7	26.4
> 10 years	42.5	41.7
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.0% (December 31, 2011 – 5.9%). 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	112 928	–	112 928
Short-term investments	–	21 900	–	21 900
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	134 828	–	134 828
% of total portfolio	–	100.0	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	105 744	–	105 744
Short-term investments	–	27 240	–	27 240
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	132 984	–	132 984
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series B	0.80%
Series D	0.50%
Series F	0.50%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series B	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.05%

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	47	47
Advisor Series	94	93
Series B	47	47
Series D	48	47
Series F	48	47
Series O	49	48
Value of all units	\$ 4	\$ 4

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	692	481
Issued number of units	96	156
Reinvested number of units	9	9
Redeemed number of units	(54)	(44)
Ending number of units	743	602

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

	2012	2011
Advisor Series		
Opening units	206	—
Issued number of units	91	44
Reinvested number of units	3	—
Redeemed number of units	(14)	—
Ending number of units	286	44

Series B		
Opening units	29	33
Issued number of units	—	(1)
Reinvested number of units	—	1
Redeemed number of units	(2)	(1)
Ending number of units	27	32

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

	2012	2011
Series D		
Opening units	1 900	1 926
Issued number of units	189	102
Reinvested number of units	26	31
Redeemed number of units	(143)	(280)
Ending number of units	1 972	1 779

Series F		
Opening units	305	294
Issued number of units	31	78
Reinvested number of units	5	5
Redeemed number of units	(12)	(90)
Ending number of units	329	287

Series O		
Opening units	8 774	9 290
Issued number of units	339	1 568
Reinvested number of units	120	174
Redeemed number of units	(532)	(527)
Ending number of units	8 701	10 505

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North Community Values Balanced Fund	393	415

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

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
6 836 856	Phillips, Hager & North High Yield Bond Fund*	\$ 78 586	\$ 79 223	
TOTAL MUTUAL FUND UNITS		78 586	79 223	2.9

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 4 000	407 International Inc.	5.960	03-Dec-35	\$ 5 087	\$ 5 204	
6 950	407 International Inc.	4.450	15-Nov-41	6 958	7 501	
2 425	407 International Inc.	4.190	25-Apr-42	2 470	2 502	
1 873	Access Justice Durham Ltd.	5.015	31-Aug-39	1 925	2 078	
3 514	Aéroports de Montréal	6.950	16-Apr-32	3 610	4 561	
691	Aéroports de Montréal	6.611	11-Apr-33	717	873	
8 109	Alliance Pipeline LP	7.181	30-Jun-23	9 932	9 988	
2 326	Alliance Pipeline LP	6.765	31-Dec-25	2 683	2 833	
1 948	Alliance Pipeline LP	7.217	31-Dec-25	2 422	2 421	
1 455	AltaGas Ltd.	4.070	01-Jun-20	1 455	1 495	
2 400	AltaLink Investments LP	5.019	21-Nov-12	2 400	2 426	
4 300	AltaLink Investments LP	5.207	16-Dec-16	4 300	4 697	
5 231	AltaLink Investments LP	3.674	05-Jun-19	5 231	5 234	
1 378	AltaLink LP	4.462	08-Nov-41	1 378	1 500	
22 655	American Express Canada Credit Corp.	5.900	02-Apr-13	22 627	23 353	
3 677	Bank of Montreal	3.930	27-Apr-15	3 882	3 867	
8 225	Bank of Montreal	5.180	10-Jun-15	9 067	8 951	
2 985	Bank of Montreal	3.490	10-Jun-16	3 017	3 113	
14 316	Bank of Montreal	2.960	02-Aug-16	14 538	14 646	
890	Bank of Montreal	5.450	17-Jul-17	1 016	1 014	
5 000	Bank of Montreal	6.020	02-May-18	5 761	5 909	
13 920	Bank of Nova Scotia	2.250	08-May-15	13 920	13 986	
940	Bank of Nova Scotia	3.610	22-Feb-16	985	984	
14 475	Bank of Nova Scotia	2.740	01-Dec-16	14 508	14 676	
15 250	Bank of Nova Scotia	2.598	27-Feb-17	15 250	15 358	
12 505	Bank of Nova Scotia	4.100	08-Jun-17	12 548	13 441	
565	Bank of Nova Scotia	4.990	27-Mar-18	562	578	
42 840	Bank of Nova Scotia	6.000	03-Oct-18	43 177	44 976	
1 710	Bank of Nova Scotia	4.940	15-Apr-19	1 811	1 796	
4 005	Bank of Nova Scotia	6.650	22-Jan-21	4 351	4 552	
7 025	BC Tel	9.650	08-Apr-22	9 489	10 375	
2 520	bclMC Realty Corp.	2.650	29-Jun-17	2 520	2 523	
5 150	bclMC Realty Corp.	3.510	29-Jun-22	5 149	5 161	
2 125	Bell Aliant Regional Communications LP	4.950	26-Feb-14	2 034	2 211	
4 600	Bell Aliant Regional Communications LP	6.290	17-Feb-15	5 128	4 999	
6 275	Bell Aliant Regional Communications LP	4.880	26-Apr-18	6 275	6 651	
7 710	Bell Canada	4.400	16-Mar-18	7 721	8 237	
9 325	Bell Canada	3.350	18-Jun-19	9 310	9 356	
3 675	Bell Canada	7.300	23-Feb-32	3 783	4 747	
3 234	Brookfield Asset Management Inc.	3.950	09-Apr-19	3 234	3 270	
2 020	Brookfield Asset Management Inc.	5.300	01-Mar-21	2 019	2 195	
4 925	Brookfield Asset Management Inc.	5.950	14-Jun-35	4 902	4 810	
4 400	Brookfield Renewable Power Inc.	6.132	30-Nov-16	4 400	4 908	
5 394	BRP Finance ULC	4.790	07-Feb-22	5 394	5 600	

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 2 572	Caisse Centrale Desjardins	3.502	05-Oct-17	\$ 2 601	\$ 2 682	
8 700	Calloway Real Estate Investment Trust	5.370	12-Oct-16	8 662	9 375	
2 030	Canada Safeway Ltd.	3.000	31-Mar-14	2 044	2 051	
6 700	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	6 891	7 156	
19 465	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	19 753	20 022	
12 085	Canadian Imperial Bank of Commerce	2.200	22-May-15	12 070	12 130	
5 765	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	5 808	5 984	
19 318	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	19 425	19 513	
14 697	Canadian Imperial Bank of Commerce	3.950	14-Jul-17	14 950	15 706	
1 295	Canadian Pacific Railway Ltd.	6.450	17-Nov-39	1 294	1 499	
4 000	Capital Desjardins Inc.	5.187	05-May-20	4 000	4 479	
8 070	Capital Desjardins Inc.	3.797	23-Nov-20	8 069	8 324	
490	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	492	491	
5 474	Caterpillar Financial Services Ltd.	2.630	01-Jun-17	5 473	5 510	
3 380	Centre Street Trust	3.690	14-Jun-21	3 380	3 388	
2 760	CI Investments Inc.	3.940	14-Dec-16	2 759	2 855	
16 420	Citigroup Finance Canada Inc.	5.500	21-May-13	16 416	16 847	
6 000	Cogeco Cable Inc.	5.950	09-Jun-14	5 993	6 391	
4 810	CU Inc.	6.145	22-Nov-17	5 773	5 741	
6 124	CU Inc.	6.800	13-Aug-19	7 825	7 794	
2 255	CU Inc.	5.896	20-Nov-34	2 927	2 918	
3 677	CU Inc.	5.580	26-May-38	4 062	4 671	
7 515	Emera Inc.	4.100	20-Oct-14	7 770	7 833	
10 350	Emera Inc.	2.960	13-Dec-16	10 389	10 495	
1 890	Emera Inc.	4.830	02-Dec-19	2 027	2 080	
4 493	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	5 153	5 145	
6 333	Enbridge Inc.	5.170	19-May-16	7 069	6 997	
2 822	Enbridge Inc.	5.000	09-Aug-16	3 139	3 112	
10 570	Enbridge Inc.	4.770	02-Sep-19	10 565	11 841	
3 815	Enbridge Inc.	4.260	01-Feb-21	3 813	4 138	
910	Enbridge Pipelines Inc.	4.450	06-Apr-20	1 017	1 020	
2 395	Enbridge Pipelines Inc.	5.330	06-Apr-40	2 395	2 974	
11 290	EnCana Corp.	5.800	18-Jan-18	12 646	12 643	
4 380	Enersource Corp.	4.521	29-Apr-21	4 380	4 937	
770	EPCOR Utilities Inc.	6.750	22-Mar-16	911	887	
1 800	EPCOR Utilities Inc.	5.800	31-Jan-18	2 070	2 084	
3 335	EPCOR Utilities Inc.	5.750	24-Nov-39	3 330	4 100	
39 225	Golden Credit Card Trust	3.510	15-May-16	39 804	40 957	
4 540	Great-West Lifeco Inc.	4.650	13-Aug-20	4 561	4 961	
1 645	Greater Toronto Airports Authority	5.960	20-Nov-19	1 814	2 004	
2 085	Greater Toronto Airports Authority	7.100	04-Jun-31	2 466	2 926	
4 700	HSBC Bank Canada	3.860	21-May-15	4 705	4 918	
14 665	HSBC Bank Canada	2.572	23-Nov-15	14 665	14 744	
11 275	HSBC Bank Canada	2.901	13-Jan-17	11 275	11 410	
17 775	HSBC Bank Canada	3.558	04-Oct-17	17 775	18 526	
2 000	Hydro One Inc.	3.130	19-Nov-14	2 070	2 067	
4 365	Hydro One Inc.	4.640	03-Mar-16	4 744	4 766	
1 700	Inter Pipeline Fund	3.839	30-Jul-18	1 700	1 780	
3 740	John Deere Canada Funding Inc.	2.300	05-Jul-16	3 739	3 744	
1 095	Loblaw Companies Ltd.	6.450	09-Feb-28	1 167	1 259	
3 020	Loblaw Companies Ltd.	6.500	22-Jan-29	3 347	3 495	
2 010	Lower Mattagami Energy LP	4.331	18-May-21	2 010	2 232	
2 734	Manitoba Telecom Services Inc.	4.590	01-Oct-18	2 734	2 908	
2 808	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	2 808	2 945	
38 140	Master Credit Card Trust	5.297	21-Aug-12	38 159	38 336	
1 090	Master Credit Card Trust	3.502	21-May-16	1 138	1 138	
31 270	Master Credit Card Trust	2.626	21-Jan-17	31 303	31 583	

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 15 670	MI Developments Inc.	6.050	22-Dec-16	\$ 15 613	\$ 16 231	
12 690	Molson Coors Capital Finance ULC	5.000	22-Sep-15	13 613	13 660	
12 245	National Bank of Canada	2.231	30-Jan-15	12 262	12 294	
1 450	National Bank of Canada	4.030	26-May-15	1 458	1 527	
5 000	National Bank of Canada	2.702	15-Dec-16	5 049	5 049	
10 535	National Bank of Canada	3.261	11-Apr-22	10 535	10 654	
3 540	NAV Canada	5.304	17-Apr-19	4 156	4 142	
1 105	Nova Scotia Power Inc.	8.400	23-Oct-15	1 331	1 312	
3 288	Ontrea Inc.	4.619	09-Apr-18	3 288	3 591	
4 810	OPB Finance Trust	3.890	04-Jul-42	4 807	4 833	
5 750	Plenary Health Hamilton LP	3.157	13-Dec-13	5 750	5 821	
880	Plenary Properties LTAP LP	6.288	31-Jan-44	931	1 122	
1 209	Rogers Communications Inc.	5.380	04-Nov-19	1 284	1 358	
280	Rogers Communications Inc.	4.700	29-Sep-20	280	301	
12 310	Rogers Communications Inc.	5.340	22-Mar-21	12 343	13 664	
4 955	Rogers Communications Inc.	6.680	04-Nov-39	4 950	5 869	
3 540	Rogers Communications Inc.	6.110	25-Aug-40	3 537	3 906	
1 375	Royal Bank of Canada*	3.360	11-Jan-16	1 431	1 425	
60 585	Royal Bank of Canada*	2.680	08-Dec-16	61 084	61 298	
3 030	Royal Bank of Canada*	3.660	25-Jan-17	3 175	3 191	
31 440	Royal Bank of Canada*	2.580	13-Apr-17	31 368	31 627	
2 170	Royal Bank of Canada*	5.450	04-Nov-18	2 319	2 270	
2 100	Royal Bank of Canada*	4.350	15-Jun-20	2 212	2 203	
3 090	Royal Bank of Canada*	3.180	02-Nov-20	3 079	3 141	
5 955	Shaw Communications Inc.	5.500	07-Dec-20	5 945	6 537	
6 920	Shaw Communications Inc.	6.750	09-Nov-39	6 864	7 293	
650	Sobeys Inc.	6.060	29-Oct-35	650	700	
4 125	Sobeys Inc.	5.790	06-Oct-36	4 125	4 284	
3 900	Sobeys Inc.	6.640	07-Jun-40	3 950	4 583	
11 590	Sun Life Capital Trust II	5.863	31-Dec-19	11 590	12 157	
4 195	Sun Life Financial Inc.	5.590	30-Jan-23	4 435	4 489	
5 985	Sun Life Financial Inc.	4.950	01-Jun-36	6 107	6 133	
315	TELUS Corp.	5.950	15-Apr-15	355	346	
10 325	TELUS Corp.	3.650	25-May-16	10 308	10 749	
11 425	Teranet Holdings LP	4.807	16-Dec-20	11 830	12 634	
6 415	Teranet Holdings LP	5.754	17-Dec-40	6 360	6 838	
1 000	Teranet Holdings LP	6.100	17-Jun-41	1 105	1 142	
4 965	The Manufacturers Life Insurance Co.	4.210	18-Nov-21	4 965	5 112	
2 685	The Manufacturers Life Insurance Co.	4.165	01-Jun-22	2 685	2 739	
10 677	Thomson Reuters Corp.	6.000	31-Mar-16	12 022	12 061	
1 370	Tim Hortons Inc.	4.200	01-Jun-17	1 370	1 489	
44 950	Toronto-Dominion Bank	5.382	01-Nov-17	45 017	45 470	
1 220	Toronto Hydro Corp.	6.110	06-May-13	1 335	1 267	
1 750	Toronto Hydro Corp.	5.150	14-Nov-17	1 995	1 995	
10 500	Toronto Hydro Corp.	4.490	12-Nov-19	11 699	11 774	
2 639	Toronto Hydro Corp.	3.540	18-Nov-21	2 637	2 761	
2 600	TransAlta Corp.	6.450	29-May-14	2 828	2 761	
2 140	TransCanada PipeLines Ltd.	9.450	20-Mar-18	2 873	2 882	
75	TransCanada PipeLines Ltd.	7.900	15-Apr-27	99	108	
4 600	Union Gas Ltd.	11.500	28-Aug-15	6 253	5 890	
4 975	Union Gas Ltd.	4.640	30-Jun-16	5 352	5 448	
1 000	Union Gas Ltd.	5.350	27-Apr-18	1 162	1 156	
3 500	Union Gas Ltd.	8.750	03-Aug-18	4 657	4 664	
3 940	Union Gas Ltd.	8.650	10-Nov-25	5 548	5 949	
1 420	Union Gas Ltd.	4.880	21-Jun-41	1 418	1 637	
3 169	Veresen Inc.	3.950	14-Mar-17	3 167	3 217	
3 438	Veresen Inc.	4.000	22-Nov-18	3 429	3 462	

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 32 550	Wells Fargo Financial Canada Corp.	5.200	13-Sep-12	\$ 32 571	\$ 32 775	
1 000	Wells Fargo Financial Canada Corp.	4.400	12-Dec-12	983	1 011	
5 375	Wells Fargo Financial Canada Corp.	4.330	06-Dec-13	5 613	5 564	
3 215	Wells Fargo Financial Canada Corp.	3.970	03-Nov-14	3 366	3 347	
8 127	Wells Fargo Financial Canada Corp.	4.380	30-Jun-15	8 630	8 614	
13 735	Wells Fargo Financial Canada Corp.	2.774	09-Feb-17	13 735	13 772	
6 680	Westcoast Energy Inc.	3.280	15-Jan-16	6 901	6 908	
1 245	Westcoast Energy Inc.	8.500	04-Sep-18	1 632	1 626	
3 130	Westcoast Energy Inc.	5.600	16-Jan-19	3 596	3 667	
2 767	Westcoast Energy Inc.	9.900	10-Jan-20	4 019	4 009	
2 670	Westcoast Energy Inc.	4.570	02-Jul-20	2 955	2 991	
2 900	Westcoast Energy Inc.	4.791	28-Oct-41	3 108	3 229	
3 337	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	3 337	3 966	
				1 208 707	1 243 763	45.9
FEDERAL						
10 632	Canada Housing Trust No. 1	4.100	15-Dec-18	11 910	12 076	
7 615	Canada Housing Trust No. 1	3.750	15-Mar-20	8 571	8 546	
16 630	Canada Housing Trust No. 1	2.650	15-Mar-22	17 103	17 194	
2 747	CBC Monetization Trust	4.688	15-May-27	2 747	3 113	
6 813	Government of Canada	4.000	01-Jun-17	7 695	7 689	
16 033	Government of Canada	2.750	01-Jun-22	17 485	17 501	
1 036	Government of Canada	4.000	01-Jun-41	1 402	1 399	
				66 913	67 518	2.5
PROVINCIAL/MUNICIPAL						
5 031	Cadillac Fairview Finance Trust	3.240	25-Jan-16	5 030	5 233	
4 965	Hospital for Sick Children	5.217	16-Dec-49	4 848	6 094	
1 647	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	1 645	1 699	
200	Ontario Electricity Financial Corp.	8.500	26-May-25	282	314	
4 825	Ontario Electricity Financial Corp.	9.000	26-May-25	7 410	7 817	
16 145	Ontario Electricity Financial Corp.	8.250	22-Jun-26	22 563	25 330	
500	Ontario Infrastructure Projects Corp.	4.600	01-Jun-15	517	540	
3 673	Province of New Brunswick	3.550	03-Jun-43	3 661	3 679	
13 495	Province of Ontario	4.400	02-Jun-19	14 897	15 293	
29 278	Province of Ontario	4.200	02-Jun-20	32 606	32 852	
62 271	Province of Ontario	4.000	02-Jun-21	66 922	68 971	
18 098	Province of Ontario	3.150	02-Jun-22	18 611	18 691	
11 250	Province of Ontario	9.500	13-Jul-22	15 387	17 780	
36 983	Province of Ontario	8.100	08-Sep-23	51 321	55 274	
450	Province of Ontario	7.500	07-Feb-24	594	650	
15 910	Province of Ontario	8.500	02-Dec-25	23 557	25 296	
1 555	Province of Ontario	8.000	02-Jun-26	2 155	2 400	
167 276	Province of Ontario	7.600	02-Jun-27	224 616	254 631	
5 284	Province of Ontario	6.500	08-Mar-29	7 180	7 474	
26 780	Province of Ontario	6.200	02-Jun-31	31 662	37 318	
42 523	Province of Ontario	5.850	08-Mar-33	49 621	57 821	
39 264	Province of Ontario	5.600	02-Jun-35	52 238	52 527	
13 100	Province of Ontario	4.700	02-Jun-37	13 682	15 763	
38 019	Province of Ontario	4.600	02-Jun-39	38 363	45 568	
1 354	Province of Quebec	4.250	01-Dec-21	1 484	1 517	
633	Province of Quebec	3.500	01-Dec-22	654	666	
230	Province of Quebec	9.375	16-Jan-23	329	362	
59 447	Province of Quebec	6.250	01-Jun-32	72 938	82 660	
9 925	Province of Quebec	5.750	01-Dec-36	11 353	13 382	
18 958	Province of Quebec	5.000	01-Dec-41	23 386	23 980	
8 465	TransLink	3.800	02-Nov-20	8 459	9 056	
				807 971	890 638	32.9
TOTAL CANADIAN BONDS				2 083 591	2 201 919	81.3

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

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

PHILLIPS, HAGER & NORTH
Investment Management™

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED KINGDOM BONDS						
\$ 6 025	BAA Funding Ltd. CAD	4.000	03-Jul-19	\$ 5 987	\$ 6 003	
TOTAL UNITED KINGDOM BONDS				5 987	6 003	0.2
UNITED STATES BONDS						
9 720	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	9 809	10 200	
20 000	Bank of America Corp. CAD	4.810	01-Jun-16	19 866	17 300	
22 330	Bear Stearns Cos LLC CAD	4.350	20-Jul-12	21 655	22 359	
6 240	Goldman Sachs Group Inc. CAD	5.200	19-Apr-22	6 101	5 857	
21 300	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	20 552	19 778	
8 910	Molson Coors International LP CAD	3.950	06-Oct-17	9 015	9 263	
TOTAL UNITED STATES BONDS				86 998	84 757	3.1
TOTAL BONDS				2 176 576	2 292 679	84.6
MORTGAGE-BACKED SECURITIES						
1 259	Data Centres Trust	7.233	10-Sep-14	1 394	1 263	
7 168	Equitable Trust	4.350	01-Jan-18	7 413	7 927	
2 213	Peoples Trust	4.200	01-Oct-19	2 211	2 455	
TOTAL MORTGAGE-BACKED SECURITIES				11 018	11 645	0.4
MORTGAGES						
CMHC Insured						
3 052	4.930% Nov 01, 2019			3 111	3 393	
2 168	4.930% Dec 01, 2019			2 184	2 457	
2 018	4.850% Jan 01, 2020			2 036	2 305	
1 796	4.260% Nov 01, 2022			1 818	1 893	
TOTAL MORTGAGES				9 149	10 048	0.4
SHORT-TERM INVESTMENTS†						
5 000	Bay Street Funding Trust - Class A			4 984	4 984	
37 425	Brookfield Asset Management Inc., Class A			37 352	37 352	
11 600	Darwin Receivables Trust - Senior Notes			11 564	11 564	
74 400	Fusion Trust			74 182	74 182	
11 000	Government of Canada Treasury Bills			10 973	10 973	
28 900	Inter Pipeline Fund			28 823	28 823	
11 700	Merit Trust - Senior Notes			11 664	11 664	
28 725	Prime Trust - Senior Notes			28 687	28 687	
57 500	Reliant Trust			57 330	57 330	
14 000	TELUS Corp.			13 956	13 956	
2 500	TransCanada PipeLines Ltd.			2 495	2 495	
19 900	Zeus Receivables Trust - Senior Notes			19 842	19 842	
TOTAL SHORT-TERM INVESTMENTS				301 852	301 852	11.1
TOTAL INVESTMENTS				\$ 2 577 181	2 695 447	99.4
OTHER NET ASSETS					15 160	0.6
NET ASSETS					\$ 2 710 607	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 0.90% to 1.35% and mature between July 5, 2012 and September 25, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 2 695 447	\$ 2 517 194
Cash	2 395	579
Due from investment dealers	12 808	—
Subscriptions receivable	9 430	6 300
Unrealized gain on futures contracts	—	133
Futures contracts margin receivable	1 846	1 546
Dividends receivable, interest accrued and other assets	17 420	18 095
TOTAL ASSETS	2 739 346	2 543 847
LIABILITIES		
Due to investment dealers	20 419	—
Redemptions payable	7 438	1 355
Distributions payable	23	—
Accounts payable and accrued expenses	859	801
TOTAL LIABILITIES	28 739	2 156
NET ASSETS	\$ 2 710 607	\$ 2 541 691

Investments at cost	\$ 2 577 181	\$ 2 413 258
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 242 267	\$ 218 307
ADVISOR SERIES	\$ 87 816	\$ 45 349
SERIES B	\$ 2 957	\$ 3 508
SERIES D	\$ 786 447	\$ 803 197
SERIES F	\$ 280 362	\$ 223 208
SERIES O	\$ 1 310 758	\$ 1 248 122

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 11.67	\$ 11.62
ADVISOR SERIES	\$ 11.67	\$ 11.62
SERIES B	\$ 11.78	\$ 11.72
SERIES D	\$ 11.65	\$ 11.61
SERIES F	\$ 11.67	\$ 11.62
SERIES O	\$ 11.59	\$ 11.54

NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,

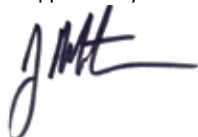
END OF PERIOD (see note 3 in the generic notes)

SERIES C	\$ 11.68	\$ 11.63
ADVISOR SERIES	\$ 11.68	\$ 11.63
SERIES B	\$ 11.79	\$ 11.74
SERIES D	\$ 11.67	\$ 11.62
SERIES F	\$ 11.69	\$ 11.64
SERIES O	\$ 11.61	\$ 11.56

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Interest	\$ 49 646	\$ 49 737
Income from derivatives	143	(1 874)
Other revenue	2 143	783
TOTAL INCOME (LOSS)	51 932	48 646
EXPENSES (see notes – Fund Specific Information)		
Management fees	4 112	3 334
Administration fees	421	362
Board of Governors costs	2	2
GST/HST	477	398
TOTAL EXPENSES	5 012	4 096
NET INVESTMENT INCOME (LOSS)	46 920	44 550
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	(7 021)	15 785
Net gain (loss) on foreign currencies and other net assets	(3)	725
Change in unrealized gain (loss) in value of investments	14 330	(15 921)
NET GAIN (LOSS) ON INVESTMENTS	7 306	589
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 54 226	\$ 45 139
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 3 934	\$ 2 852
ADVISOR SERIES	\$ 1 250	\$ 169
SERIES B	\$ 59	\$ 62
SERIES D	\$ 15 437	\$ 14 542
SERIES F	\$ 5 040	\$ 3 032
SERIES O	\$ 28 506	\$ 24 482
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.20	\$ 0.17
ADVISOR SERIES	\$ 0.20	\$ 0.17
SERIES B	\$ 0.21	\$ 0.19
SERIES D	\$ 0.23	\$ 0.20
SERIES F	\$ 0.23	\$ 0.21
SERIES O	\$ 0.26	\$ 0.23

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano

Director


Doug Coulter

Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 218 307	\$ 189 768	\$ 45 349	\$ 2 796	\$ 3 508	\$ 3 724	\$ 803 197	\$ 825 307
INCREASE (DECREASE) FROM OPERATIONS	3 934	2 852	1 250	169	59	62	15 437	14 542
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	49 683	34 124	45 752	11 068	–	–	53 055	43 174
Proceeds from reinvestment of distributions	2 787	2 372	809	126	42	56	10 666	12 190
Payments on redemption of units	(29 381)	(44 317)	(4 330)	(545)	(609)	(272)	(83 699)	(102 131)
TOTAL UNIT TRANSACTIONS	23 089	(7 821)	42 231	10 649	(567)	(216)	(19 978)	(46 767)
Distributions from net income	(3 063)	(2 599)	(1 014)	(146)	(43)	(57)	(12 209)	(13 981)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(3 063)	(2 599)	(1 014)	(146)	(43)	(57)	(12 209)	(13 981)
TOTAL INCREASE (DECREASE) IN NET ASSETS	23 960	(7 568)	42 467	10 672	(551)	(211)	(16 750)	(46 206)
NET ASSETS – END OF PERIOD	\$ 242 267	\$ 182 200	\$ 87 816	\$ 13 468	\$ 2 957	\$ 3 513	\$ 786 447	\$ 779 101

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 223 208	\$ 156 538	\$ 1 248 122	\$ 1 262 200	\$ 2 541 691	\$ 2 440 333
INCREASE (DECREASE) FROM OPERATIONS	5 040	3 032	28 506	24 482	54 226	45 139
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	99 775	60 096	188 537	147 323	436 802	295 785
Proceeds from reinvestment of distributions	2 376	1 844	16 755	16 159	33 435	32 747
Payments on redemption of units	(45 950)	(46 215)	(148 011)	(281 531)	(311 980)	(475 011)
TOTAL UNIT TRANSACTIONS	56 201	15 725	57 281	(118 049)	158 257	(146 479)
Distributions from net income	(4 087)	(2 946)	(23 151)	(23 170)	(43 567)	(42 899)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(4 087)	(2 946)	(23 151)	(23 170)	(43 567)	(42 899)
TOTAL INCREASE (DECREASE) IN NET ASSETS	57 154	15 811	62 636	(116 737)	168 916	(144 239)
NET ASSETS – END OF PERIOD	\$ 280 362	\$ 172 349	\$ 1 310 758	\$ 1 145 463	\$ 2 710 607	\$ 2 296 094

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

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
AAA	8.2	8.9
AA	51.5	53.6
A	24.8	22.4
BBB	15.1	14.2
D	–	0.4
Unrated*	0.4	0.5
Total debt securities	100.0	100.0

* Mortgages, which represent 100% (December 31, 2011 – 100%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer.

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	June 30 2012	December 31 2011
Less than 1 year	8.1	15.1
1 – 5 years	31.8	26.0
5 – 10 years	22.5	16.7
> 10 years	37.6	42.2
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.0% (December 31, 2011 – 5.9%). 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	79 223	–	–	79 223
Fixed-income and debt securities	–	2 314 372	–	2 314 372
Short-term investments	–	301 852	–	301 852
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	79 223	2 616 224	–	2 695 447
% of total portfolio	2.9	97.1	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	75 065	–	–	75 065
Fixed-income and debt securities	–	2 132 254	–	2 132 254
Short-term investments	–	309 875	–	309 875
Derivatives – assets	133	–	–	133
Derivatives – liabilities	–	–	–	–
Total financial instruments	75 198	2 442 129	–	2 517 327
% of total portfolio	3.0	97.0	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series B	0.75%
Series D	0.50%
Series F	0.50%

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series B	0.05%
Series D	0.04%
Series F	0.05%
Series O	0.02%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	47	46
Advisor Series	93	92
Series B	46	46
Series F	47	46
Value of all units	\$ 3	\$ 3

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	18 788	16 969
Issued number of units	4 266	3 054
Reinvested number of units	239	212
Redeemed number of units	(2 525)	(3 970)
Ending number of units	20 768	16 265
Advisor Series		
Opening units	3 903	250
Issued number of units	3 927	989
Reinvested number of units	69	11
Redeemed number of units	(371)	(48)
Ending number of units	7 528	1 202
Series B		
Opening units	299	330
Issued number of units	—	—
Reinvested number of units	4	5
Redeemed number of units	(52)	(24)
Ending number of units	251	311
Series D		
Opening units	69 210	73 803
Issued number of units	4 561	3 861
Reinvested number of units	917	1 092
Redeemed number of units	(7 198)	(9 146)
Ending number of units	67 490	69 610
Series F		
Opening units	19 202	13 977
Issued number of units	8 558	5 363
Reinvested number of units	204	165
Redeemed number of units	(3 944)	(4 130)
Ending number of units	24 020	15 375
Series O		
Opening units	108 130	113 481
Issued number of units	16 282	13 249
Reinvested number of units	1 448	1 456
Redeemed number of units	(12 789)	(25 297)
Ending number of units	113 071	102 889

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2012

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

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

	June 30 2012	December 31 2011
Series 0		
RBC Select Choices Conservative Portfolio	1 866	1 810
RBC Select Choices Balanced Portfolio	1 811	1 883
RBC Select Choices Growth Portfolio	643	682
RBC Monthly Income Bond Fund	9 973	3 975
Phillips, Hager & North Total Return Bond Guaranteed Investment Fund	–	599
Total	14 293	8 949

**Other revenue and capital gains (\$000s) (see note 3
in the generic notes)**

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series 0		
Phillips Hager & North High Yield Bond Fund	\$ 2 143	\$ 783
Total other revenue	\$ 2 143	\$ 783
Capital gains received from underlying funds	\$ –	\$ –

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

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

PHILLIPS, HAGER & NORTH INFLATION-LINKED BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 522	Teranet Holdings LP	3.270	01-Dec-31	\$ 519	\$ 594	
				519	594	0.3
FEDERAL						
1 028	Government of Canada	4.250	01-Dec-21	1 382	1 458	
10 622	Government of Canada	4.250	01-Dec-26	16 107	17 059	
18 918	Government of Canada	4.000	01-Dec-31	29 367	32 495	
14 273	Government of Canada	3.000	01-Dec-36	19 241	23 147	
15 944	Government of Canada	2.000	01-Dec-41	19 745	22 776	
20 915	Government of Canada	1.500	01-Dec-44	24 531	27 159	
				110 373	124 094	69.2
PROVINCIAL						
8 175	Province of Ontario	2.000	01-Dec-36	8 588	10 705	
840	Province of Quebec	3.300	01-Dec-13	901	889	
598	Province of Quebec	4.500	01-Dec-21	750	844	
1 473	Province of Quebec	4.500	01-Dec-26	1 897	2 343	
3 874	Province of Quebec	4.250	01-Dec-31	5 381	6 528	
				17 517	21 309	11.9
TOTAL CANADIAN BONDS				128 409	145 997	81.4
SHORT-TERM INVESTMENTS*						
9 500	Bay Street Funding Trust - Class A			9 479	9 479	
500	Brookfield Asset Management Inc., Class A			499	499	
1 700	Darwin Receivables Trust - Senior Notes			1 700	1 700	
4 600	Enbridge Inc.			4 596	4 596	
1 050	HSBC Bank Canada			1 048	1 048	
1 000	Inter Pipeline Fund			997	997	
1 900	Merit Trust - Senior Notes			1 898	1 898	
11 275	Prime Trust - Senior Notes			11 261	11 261	
1 500	Reliant Trust			1 495	1 495	
200	Zeus Receivables Trust - Senior Notes			200	200	
TOTAL SHORT-TERM INVESTMENTS				33 173	33 173	18.5
TOTAL INVESTMENTS				\$ 161 582	179 170	99.9
OTHER NET ASSETS					279	0.1
NET ASSETS					\$ 179 449	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.10% to 1.34% and mature between July 3, 2012 and September 10, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 179 170	\$ 189 225
Cash	88	146
Subscriptions receivable	703	771
Dividends receivable, interest accrued and other assets	258	299
TOTAL ASSETS	180 219	190 441
LIABILITIES		
Redemptions payable	681	125
Accounts payable and accrued expenses	89	92
TOTAL LIABILITIES	770	217
NET ASSETS	\$ 179 449	\$ 190 224

Investments at cost	\$ 161 582	\$ 166 568
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 74 917	\$ 81 434
ADVISOR SERIES	\$ 6 039	\$ 4 470
SERIES D	\$ 37 829	\$ 37 687
SERIES F	\$ 24 117	\$ 26 652
SERIES O	\$ 36 547	\$ 39 981

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 12.77	\$ 12.76
ADVISOR SERIES	\$ 12.77	\$ 12.76
SERIES D	\$ 12.85	\$ 12.84
SERIES F	\$ 12.83	\$ 12.82
SERIES O	\$ 12.93	\$ 12.91

**NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,
END OF PERIOD** (see note 3 in the generic notes)

SERIES C	\$ 12.79	\$ 12.77
ADVISOR SERIES	\$ 12.79	\$ 12.77
SERIES D	\$ 12.86	\$ 12.85
SERIES F	\$ 12.84	\$ 12.83
SERIES O	\$ 12.94	\$ 12.93

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Interest	\$ 5 931	\$ 5 889
TOTAL INCOME (LOSS)	5 931	5 889
EXPENSES (see notes – Fund Specific Information)		
Management fees	463	321
Administration fees	40	31
Board of Governors costs	2	2
GST/HST	50	34
TOTAL EXPENSES	555	388
NET INVESTMENT INCOME (LOSS)	5 376	5 501
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	1 606	1 236
Net gain (loss) on foreign currencies and other net assets	–	7
Change in unrealized gain (loss) in value of investments	(5 069)	(474)
NET GAIN (LOSS) ON INVESTMENTS	(3 463)	769
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 1 913	\$ 6 270
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 634	\$ 2 304
ADVISOR SERIES	\$ 62	\$ 69
SERIES D	\$ 346	\$ 815
SERIES F	\$ 326	\$ 1 618
SERIES O	\$ 545	\$ 1 464
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.11	\$ 0.39
ADVISOR SERIES	\$ 0.11	\$ 0.39
SERIES D	\$ 0.14	\$ 0.41
SERIES F	\$ 0.15	\$ 0.42
SERIES O	\$ 0.17	\$ 0.43

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 81 434	\$ 52 510	\$ 4 470	\$ 624	\$ 37 687	\$ 16 304	\$ 26 652	\$ 30 816
INCREASE (DECREASE) FROM OPERATIONS	634	2 304	62	69	346	815	326	1 618
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	12 345	16 460	2 040	1 793	12 697	9 308	6 419	9 734
Proceeds from reinvestment of distributions	600	652	49	22	402	232	249	413
Payments on redemption of units	(19 434)	(8 771)	(531)	(107)	(12 886)	(4 069)	(9 232)	(3 865)
TOTAL UNIT TRANSACTIONS	(6 489)	8 341	1 558	1 708	213	5 471	(2 564)	6 282
Distributions from net income	(662)	(710)	(51)	(23)	(417)	(241)	(297)	(467)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(662)	(710)	(51)	(23)	(417)	(241)	(297)	(467)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(6 517)	9 935	1 569	1 754	142	6 045	(2 535)	7 433
NET ASSETS – END OF PERIOD	\$ 74 917	\$ 62 445	\$ 6 039	\$ 2 378	\$ 37 829	\$ 22 349	\$ 24 117	\$ 38 249

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 39 981	\$ 44 823	\$ 190 224	\$ 145 077
INCREASE (DECREASE) FROM OPERATIONS	545	1 464	1 913	6 270
Early redemption fees	–	–	–	–
Proceeds from units issued	1 356	13 631	34 857	50 926
Proceeds from reinvestment of distributions	390	390	1 690	1 709
Payments on redemption of units	(5 231)	(16 154)	(47 314)	(32 966)
TOTAL UNIT TRANSACTIONS	(3 485)	(2 133)	(10 767)	19 669
Distributions from net income	(494)	(594)	(1 921)	(2 035)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	(494)	(594)	(1 921)	(2 035)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(3 434)	(1 263)	(10 775)	23 904
NET ASSETS – END OF PERIOD	\$ 36 547	\$ 43 560	\$ 179 449	\$ 168 981

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

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
AAA	85.0	86.5
AA	7.3	6.6
A	7.3	6.5
BBB	0.4	0.4
Total debt securities	100.0	100.0

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	June 30 2012	December 31 2011
Less than 1 year	—	—
1 – 5 years	0.6	0.6
5 – 10 years	1.4	12.1
> 10 years	98.0	87.3
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 15.2% (December 31, 2011 – 15.0%). 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	145 997	—	145 997
Short-term investments	—	33 173	—	33 173
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	179 170	—	179 170
% of total portfolio	—	100.0	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	161 265	—	161 265
Short-term investments	—	27 960	—	27 960
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	189 225	—	189 225
% of total portfolio	—	100.0	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.80%
Advisor Series	0.80%
Series D	0.45%
Series F	0.30%

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.02%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	47	46
Advisor Series	92	92
Series D	47	46
Series F	47	46
Series O	47	46
Value of all units	\$ 4	\$ 4

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	6 383	4 631
Issued number of units	969	1 443
Reinvested number of units	47	57
Redeemed number of units	(1 534)	(778)
Ending number of units	5 865	5 353

Advisor Series		
Opening units	350	55
Issued number of units	161	156
Reinvested number of units	4	2
Redeemed number of units	(42)	(9)
Ending number of units	473	204

Series D		
Opening units	2 936	1 433
Issued number of units	989	812
Reinvested number of units	31	20
Redeemed number of units	(1 011)	(359)
Ending number of units	2 945	1 906

Series F		
Opening units	2 079	2 713
Issued number of units	499	860
Reinvested number of units	20	36
Redeemed number of units	(718)	(342)
Ending number of units	1 880	3 267

Series O		
Opening units	3 096	3 917
Issued number of units	106	1 194
Reinvested number of units	30	34
Redeemed number of units	(405)	(1 452)
Ending number of units	2 827	3 693

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

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
\$ 17 000	Algonquin Power Co.	5.500	25-Jul-18	\$ 16 971	\$ 17 555	
13 790	Atlantic Power LP	5.950	23-Jun-36	8 888	9 652	
1 000	Baytex Energy Corp.	9.150	26-Aug-16	1 066	1 055	
22 000	Bombardier Inc. USD	5.750	15-Mar-22	21 818	22 314	
24 000	Cogeco Cable Inc.	4.925	14-Feb-22	24 009	25 227	
14 250	Cominar Real Estate Investment Trust, Convertible	5.700	30-Jun-14	13 852	14 599	
95 326	Corus Entertainment Inc.	7.250	10-Feb-17	98 379	101 761	
25 000	CWB Capital Trust	6.199	31-Dec-56	25 000	25 946	
15 830	Extencicare Real Estate Investment Trust, Convertible	5.700	30-Jun-14	14 419	15 830	
107 000	Ford Credit Canada Ltd.	4.875	17-Mar-14	106 935	110 074	
76 000	Ford Credit Canada Ltd.	7.500	18-Aug-15	76 814	83 795	
42 000	Ford Credit Canada Ltd.	4.875	08-Feb-17	42 000	43 412	
25 140	Great Canadian Gaming Corp. USD	7.250	15-Feb-15	25 635	25 947	
14 000	H&R Real Estate Investment Trust	4.778	27-Jul-16	14 028	14 759	
8 370	Harvest Operations Corp. USD	6.875	01-Oct-17	8 568	9 054	
37 308	Harvest Operations Corp., Convertible	6.400	31-Oct-12	37 737	37 551	
84 697	Harvest Operations Corp., Convertible	7.250	30-Sep-13	86 358	86 222	
4 009	Harvest Operations Corp., Convertible	7.250	28-Feb-14	4 098	4 089	
90 440	Harvest Operations Corp., Convertible	7.500	31-May-15	93 674	94 058	
5 539	InnVest Real Estate Investment Trust, Convertible	6.750	31-Mar-16	5 407	5 788	
10 000	Island Timberlands LP USD	6.160	30-Aug-25	12 122	12 359	
38 250	Kruger Products LP	8.000	09-Aug-18	37 959	38 824	
39 911	MI Developments Inc.	6.050	22-Dec-16	38 395	41 340	
50 520	MPL 2 Acquisition Canco Inc. USD	9.875	15-Aug-18	47 284	42 819	
12 640	Newalta Corp.	7.625	23-Nov-17	12 835	13 403	
25 000	Newalta Corp.	7.750	14-Nov-19	25 060	26 563	
19 167	Noranda Operating Trust	6.875	28-Dec-16	19 193	19 430	
23 000	Precision Drilling Corp.	6.500	15-Mar-19	23 000	23 196	
41 089	Quebecor Media Inc. USD	7.750	15-Mar-16	43 061	42 983	
29 405	Quebecor Media Inc. USD	7.750	15-Mar-16	29 923	30 761	
32 800	Quebecor Media Inc.	7.375	15-Jan-21	34 475	34 245	
35 120	Retirement Residences Real Estate Investment Trust, Convertible	5.500	31-Mar-15	32 210	35 120	
11 000	Savanna Energy Services Corp.	7.000	25-May-18	11 000	11 064	
2 600	Sherritt International Corp.	8.250	24-Oct-14	2 720	2 777	
25 948	Sherritt International Corp.	7.750	15-Oct-15	26 609	27 725	
18 435	Superior Plus Corp.	8.250	27-Oct-16	18 706	19 265	
16 500	Vermilion Energy Inc.	6.500	10-Feb-16	16 555	17 190	
13 240	Videotron Ltd. USD	6.375	15-Dec-15	13 546	13 716	
78 795	Videotron Ltd. USD	9.125	15-Apr-18	89 884	87 842	
3 000	Videotron Ltd.	7.125	15-Jan-20	3 221	3 210	
18 800	Videotron Ltd.	6.875	15-Jul-21	18 912	20 113	
23 000	Western Energy Services Corp.	7.875	30-Jan-19	23 000	23 441	
				1 305 326	1 336 074	43.0
LUXEMBOURG BONDS						
33 000	Intelsat Jackson Holdings S.A. USD	7.250	15-Oct-20	33 734	35 285	
				33 734	35 285	1.1
NETHERLANDS BONDS						
30 000	LyondellBasell Industries NV USD	5.000	15-Apr-19	30 167	32 032	
17 000	Schaeffler Finance BV USD	7.750	15-Feb-17	18 023	18 043	
5 000	Schaeffler Finance BV USD	8.500	15-Feb-19	5 409	5 434	
				53 599	55 509	1.8

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

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED KINGDOM BONDS						
\$ 2 896	Virgin Media Finance Plc. USD	9.500	15-Aug-16	\$ 3 156	\$ 3 287	
18 835	Virgin Media Finance Plc. USD	8.375	15-Oct-19	21 292	21 549	
				24 448	24 836	0.8
UNITED STATES BONDS						
41 269	CB Richard Ellis Services Inc.	11.625	15-Jun-17	47 151	47 688	
13 554	CC Holdings GS V LLC	7.750	01-May-17	14 840	14 955	
5 000	CCO Holdings LLC	6.625	31-Jan-22	5 299	5 447	
28 000	CenturyLink Inc.	5.800	15-Mar-22	27 795	28 399	
112 327	Citigroup Inc. CAD	4.650	11-Oct-22	100 284	104 273	
94 526	Citigroup Inc. CAD	5.160	24-May-27	80 654	83 799	
8 000	CityCenter Finance Corp.	7.625	15-Jan-16	8 374	8 572	
7 792	Corrections Corporation of America	6.750	31-Jan-14	8 253	7 953	
18 589	Corrections Corporation of America	7.750	01-Jun-17	19 524	20 487	
7 050	Dole Food Co Inc.	13.875	15-Mar-14	8 365	8 120	
13 290	Dole Food Co Inc.	8.000	01-Oct-16	13 676	14 123	
22 832	Dollar General Corp.	11.875	15-Jul-17	24 889	24 669	
57 525	DISH DBS Corp.	6.625	01-Oct-14	59 737	62 812	
82 730	EchoStar DBS Corp.	7.750	31-May-15	88 874	93 492	
36 640	Everest Acquisition Finance Inc.	6.875	01-May-19	38 303	38 982	
54 962	Goldman Sachs Group Inc. CAD	5.200	19-Apr-22	52 605	51 592	
10 878	HCA Inc.	6.250	15-Feb-13	11 150	11 324	
8 000	HCA Inc.	6.500	15-Feb-20	8 535	8 827	
13 000	HCA Inc.	5.875	15-Mar-22	13 047	13 831	
3 785	HollyFrontier Corp.	9.875	15-Jun-17	4 161	4 239	
99 680	Host Hotels & Resorts LP	6.750	01-Jun-16	102 881	104 275	
14 003	Host Hotels & Resorts LP	9.000	15-May-17	15 641	15 789	
71 242	Host Marriott LP	6.375	15-Mar-15	73 779	73 619	
15 000	HSN Inc.	11.250	01-Aug-16	16 178	16 226	
112 860	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	107 241	104 794	
27 000	MGM Resorts International	11.125	15-Nov-17	30 149	30 856	
44 000	Morgan Stanley CAD	4.900	23-Feb-17	42 518	42 956	
59 209	Petrohawk Energy Corp.	7.875	01-Jun-15	61 910	62 674	
80 241	QVC Inc.	7.125	15-Apr-17	82 948	86 789	
32 100	QVC Inc.	7.375	15-Oct-20	36 223	36 205	
59 227	Qwest Communications International Inc.	8.000	01-Oct-15	63 625	63 543	
69 695	Reynolds Group Issuer Inc.	8.500	15-Oct-16	71 989	74 682	
21 900	Samson Investment Co.	9.750	15-Feb-20	22 340	22 185	
9 800	Sirius XM Radio Inc.	9.750	01-Sep-15	10 380	10 576	
22 500	Sprint Nextel Corp.	7.000	01-Mar-20	22 599	23 824	
68 444	Wynn Las Vegas LLC Corp.	7.875	01-Nov-17	72 836	76 651	
8 000	Wynn Las Vegas LLC Corp.	7.750	15-Aug-20	8 870	9 020	
TOTAL BONDS				1 477 623	1 508 248	48.6
SHORT-TERM INVESTMENTS*				2 894 730	2 959 952	95.3
TOTAL INVESTMENTS				46 850	46 850	1.5
UNREALIZED GAINS (LOSSES) ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				2 941 580	3 006 802	96.8
TOTAL PORTFOLIO				—	(12 531)	(0.4)
OTHER NET ASSETS				\$ 2 941 580	2 994 271	96.4
NET ASSETS					110 180	3.6
					\$ 3 104 451	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.10% to 1.38% and mature between July 3, 2012 and September 17, 2012.

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

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2012

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought CAD 54 643 Sold USD 55 000 @ 0.9935	09-Jul-12	\$ (1 360)
Bought CAD 227 685 Sold USD 230 000 @ 0.9899	18-Jul-12	(6 566)
Bought CAD 228 839 Sold USD 230 000 @ 0.9950	20-Jul-12	(5 426)
Bought CAD 63 878 Sold USD 65 000 @ 0.9827	31-Jul-12	(2 348)
Bought CAD 139 926 Sold USD 140 000 @ 0.9995	14-Aug-12	(2 763)
Bought CAD 110 557 Sold USD 110 000 @ 1.0051	16-Aug-12	(1 561)
Bought CAD 224 219 Sold USD 220 000 @ 1.0192	22-Aug-12	(49)
Bought CAD 237 029 Sold USD 230 000 @ 1.0306	29-Aug-12	2 528
Bought CAD 248 533 Sold USD 240 000 @ 1.0356	04-Sep-12	3 806
Bought CAD 52 194 Sold USD 50 000 @ 1.0439	05-Sep-12	1 208
TOTAL FOREIGN EXCHANGE		\$ (12 531)

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 3 006 802	\$ 2 734 079
Cash	40 093	149 365
Due from investment dealers	27 342	–
Subscriptions receivable	3 321	8 092
Unrealized gain on foreign exchange contracts	–	13 633
Dividends receivable, interest accrued and other assets	43 593	46 487
TOTAL ASSETS	3 121 151	2 951 656
LIABILITIES		
Redemptions payable	2 754	986
Unrealized loss on foreign exchange contracts	12 531	–
Distributions payable	4	–
Accounts payable and accrued expenses	1 411	1 436
TOTAL LIABILITIES	16 700	2 422
NET ASSETS	\$ 3 104 451	\$ 2 949 234
Investments at cost	\$ 2 941 580	\$ 2 730 670
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 458 905	\$ 451 585
ADVISOR SERIES	\$ 13 125	\$ 10 717
SERIES B	\$ 6 523	\$ 7 349
SERIES D	\$ 775 631	\$ 738 334
SERIES F	\$ 337 294	\$ 352 865
SERIES O	\$ 1 512 973	\$ 1 388 384
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 12.07	\$ 11.75
ADVISOR SERIES	\$ 12.07	\$ 11.75
SERIES B	\$ 12.16	\$ 11.84
SERIES D	\$ 11.96	\$ 11.64
SERIES F	\$ 12.02	\$ 11.70
SERIES O	\$ 11.55	\$ 11.24
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 12.11	\$ 11.79
ADVISOR SERIES	\$ 12.11	\$ 11.79
SERIES B	\$ 12.20	\$ 11.88
SERIES D	\$ 12.00	\$ 11.68
SERIES F	\$ 12.06	\$ 11.74
SERIES O	\$ 11.59	\$ 11.29

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

(see note 2 in the generic notes)	2012	2011
For the periods ended June 30		
INCOME (see note 3 in the generic notes)		
Interest	\$ 100 087	\$ 87 226
TOTAL INCOME (LOSS)	100 087	87 226
EXPENSES (see notes – Fund Specific Information)		
Management fees	7 089	7 122
Administration fees	614	566
Board of Governors costs	2	2
GST/HST	817	818
TOTAL EXPENSES	8 522	8 508
NET INVESTMENT INCOME (LOSS)	91 565	78 718
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	(482)	704
Net gain (loss) on foreign currencies and other net assets	31 768	76 294
Change in unrealized gain (loss) in value of investments	35 649	(73 523)
NET GAIN (LOSS) ON INVESTMENTS	66 935	3 475
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
	\$ 158 500	\$ 82 193
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 21 856	\$ 12 572
ADVISOR SERIES	\$ 560	\$ 219
SERIES B	\$ 353	\$ 229
SERIES D	\$ 38 353	\$ 21 638
SERIES F	\$ 17 408	\$ 10 522
SERIES O	\$ 79 970	\$ 37 013
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.57	\$ 0.32
ADVISOR SERIES	\$ 0.57	\$ 0.32
SERIES B	\$ 0.59	\$ 0.33
SERIES D	\$ 0.60	\$ 0.35
SERIES F	\$ 0.60	\$ 0.35
SERIES O	\$ 0.63	\$ 0.38

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 451 585	\$ 462 103	\$ 10 717	\$ 6 958	\$ 7 349	\$ 8 179	\$ 738 334	\$ 717 957
INCREASE (DECREASE) FROM OPERATIONS	21 856	12 572	560	219	353	229	38 353	21 638
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	32 841	47 032	2 277	3 547	8	7	65 644	87 306
Proceeds from reinvestment of distributions	8 119	7 742	159	115	139	143	16 217	14 883
Payments on redemption of units	(46 063)	(58 533)	(328)	(151)	(1 175)	(633)	(64 965)	(64 655)
TOTAL UNIT TRANSACTIONS	(5 103)	(3 759)	2 108	3 511	(1 028)	(483)	16 896	37 534
Distributions from net income	(9 433)	(8 883)	(260)	(192)	(151)	(156)	(17 952)	(16 362)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(9 433)	(8 883)	(260)	(192)	(151)	(156)	(17 952)	(16 362)
TOTAL INCREASE (DECREASE) IN NET ASSETS	7 320	(70)	2 408	3 538	(826)	(410)	37 297	42 810
NET ASSETS – END OF PERIOD	\$ 458 905	\$ 462 033	\$ 13 125	\$ 10 496	\$ 6 523	\$ 7 769	\$ 775 631	\$ 760 767

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 352 865	\$ 353 413	\$ 1 388 384	\$ 1 019 497	\$ 2 949 234	\$ 2 568 107
INCREASE (DECREASE) FROM OPERATIONS	17 408	10 522	79 970	37 013	158 500	82 193
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	28 347	49 292	201 600	255 007	330 717	442 191
Proceeds from reinvestment of distributions	5 975	5 534	25 389	16 369	55 998	44 786
Payments on redemption of units	(59 483)	(54 090)	(141 242)	(43 889)	(313 256)	(221 951)
TOTAL UNIT TRANSACTIONS	(25 161)	736	85 747	227 487	73 459	265 026
Distributions from net income	(7 818)	(7 717)	(41 128)	(31 149)	(76 742)	(64 459)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(7 818)	(7 717)	(41 128)	(31 149)	(76 742)	(64 459)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(15 571)	3 541	124 589	233 351	155 217	282 760
NET ASSETS – END OF PERIOD	\$ 337 294	\$ 356 954	\$ 1 512 973	\$ 1 252 848	\$ 3 104 451	\$ 2 850 867

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

June 30, 2012

The Fund was closed to new investors effective November 26, 2010. Existing investors who hold units of the Fund can continue to make additional investments into the Fund. In addition, RBC GAM may maintain capacity for certain investors, including other related funds, that may invest in the Fund.

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

Credit risk (%)

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

Rating	June 30 2012	December 31 2011
AA	—	0.5
A	1.5	—
BBB	20.1	17.1
BB	51.8	63.3
B	15.8	15.2
Unrated*	10.8	3.9
Total debt securities	100.0	100.0

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

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	June 30 2012	December 31 2011
Less than 1 year	5.7	2.6
1 – 5 years	58.8	59.1
5 – 10 years	30.4	29.8
> 10 years	5.1	8.5
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.6% (December 31, 2011 – 2.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	2 959 952	—	2 959 952
Short-term investments	—	46 850	—	46 850
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	(12 531)	—	(12 531)
Total financial instruments	—	2 994 271	—	2 994 271
% of total portfolio	—	100.0	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	2 671 978	—	2 671 978
Short-term investments	—	62 101	—	62 101
Derivatives – assets	—	13 633	—	13 633
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	2 747 712	—	2 747 712
% of total portfolio	—	100.0	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

June 30, 2012

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.25%
Advisor Series	1.25%
Series B	1.00%
Series D	0.75%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series B	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.03%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	46	45
Advisor Series	91	89
Series B	46	45
Series F	46	45
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$4 704. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	38 439	38 920
Issued number of units	2 727	3 899
Reinvested number of units	674	644
Redeemed number of units	(3 822)	(4 848)
Ending number of units	38 018	38 615

Advisor Series

Opening units	912	586
Issued number of units	189	293
Reinvested number of units	13	10
Redeemed number of units	(27)	(12)
Ending number of units	1 087	877

Series B

Opening units	621	684
Issued number of units	1	—
Reinvested number of units	11	12
Redeemed number of units	(97)	(52)
Ending number of units	536	644

Series D

Opening units	63 428	61 023
Issued number of units	5 507	7 297
Reinvested number of units	1 358	1 250
Redeemed number of units	(5 440)	(5 405)
Ending number of units	64 853	64 165

Series F

Opening units	30 164	29 896
Issued number of units	2 364	4 101
Reinvested number of units	498	463
Redeemed number of units	(4 966)	(4 500)
Ending number of units	28 060	29 960

Series O

Opening units	123 477	89 717
Issued number of units	17 501	22 052
Reinvested number of units	2 202	1 424
Redeemed number of units	(12 211)	(3 791)
Ending number of units	130 969	109 402

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2012

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

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

	June 30 2012	December 31 2011
Series 0		
RBC Select Choices Balanced Portfolio	920	966
RBC Select Choices Growth Portfolio	651	698
Phillips, Hager & North Total Return Bond Fund	6 837	6 651
Phillips, Hager & North PRisM Balanced Fund	1 216	1 345
Phillips, Hager & North Enhanced Total Return Bond Fund	1 658	1 613
Phillips, Hager & North Monthly Income Fund	8 715	8 469
Phillips, Hager & North Enhanced PRisM Long Fund	411	—
Phillips, Hager & North LifeTime 2015 Fund	6	3
Phillips, Hager & North LifeTime 2020 Fund	10	5
Phillips, Hager & North LifeTime 2025 Fund	20	9
Phillips, Hager & North LifeTime 2030 Fund	14	8
Phillips, Hager & North LifeTime 2035 Fund	16	6
Phillips, Hager & North LifeTime 2040 Fund	10	6
Phillips, Hager & North LifeTime 2045 Fund	4	2
Phillips, Hager & North Total Return Bond Trust	541	—
Total	21 029	19 781

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

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

PHILLIPS, HAGER & NORTH SHORT INFLATION-LINKED BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
\$ 210	Government of Canada	4.250	01-Dec-21	\$ 285	\$ 298	
TOTAL INVESTMENTS				<u>\$ 285</u>	298	98.3
OTHER NET ASSETS					5	1.7
NET ASSETS					<u>\$ 303</u>	100.0

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

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND
Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 298	\$ 212
Cash	4	3
Subscriptions receivable	1	–
Dividends receivable, interest accrued and other assets	–	1
TOTAL ASSETS	303	216
NET ASSETS	\$ 303	\$ 216
Investments at cost	\$ 285	\$ 198
NET ASSETS PER SERIES, END OF PERIOD		
SERIES 0	\$ 303	\$ 216
NET ASSETS PER UNIT, END OF PERIOD		
SERIES 0	\$ 10.99	\$ 10.85
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES 0	\$ 11.03	\$ 10.85

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Interest	\$ 6	\$ 7
TOTAL INCOME (LOSS)	6	7
EXPENSES (see notes – Fund Specific Information)		
Administration fees	1	–
Board of Governors costs	2	2
TOTAL EXPENSES	3	2
Less expenses reimbursed by manager	(2)	–
TOTAL EXPENSES NET OF REIMBURSEMENTS	1	–
NET INVESTMENT INCOME (LOSS)	5	5
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Change in unrealized gain (loss) in value of investments	(1)	2
NET GAIN (LOSS) ON INVESTMENTS	(1)	2
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 4	\$ 7
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES 0	\$ 4	\$ 7
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES 0	\$ 0.20	\$ 0.42

* Fund launched January 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director


Doug Coulter
Director

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

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND
Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series 0	
	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 216	\$ –
INCREASE (DECREASE) FROM OPERATIONS	4	7
Early redemption fees	–	–
Proceeds from units issued	102	172
Proceeds from reinvestment of distributions	–	–
Payments on redemption of units	(19)	(1)
TOTAL UNIT TRANSACTIONS	83	171
Distributions from net income	–	–
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	87	178
NET ASSETS – END OF PERIOD	\$ 303	\$ 178

* Fund launched January 2011.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
AAA	100.0	100.0
Total debt securities	100.0	100.0

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	June 30 2012	December 31 2011
Less than 1 year	—	—
1 – 5 years	—	—
5 – 10 years	100.0	100.0
> 10 years	—	—
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 7.9% (December 31, 2011 – 8.2%). 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	298	—	298
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	298	—	298
% of total portfolio	—	100.0	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	212	—	212
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	212	—	212
% of total portfolio	—	100.0	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Operating expenses (see note 7 in the generic notes)

Administration fees payable by Series O of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series O	15 671	15 671
Value of all units	\$ 173	\$ 170

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

The Fund had no capital or non-capital losses as at December 31, 2011.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series 0		
Opening units	20	—
Issued number of units	10	17
Reinvested number of units	—	—
Redeemed number of units	(2)	—
Ending number of units	28	17

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

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

	June 30 2012	December 31 2011
Series 0		
Phillips, Hager & North LifeTime 2015 Fund	7	1
Phillips, Hager & North LifeTime 2020 Fund	5	3
Total	12	4

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

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

PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
\$ 3 460	Government of Canada	1.500	01-Dec-44	\$ 4 151	\$ 4 494	
TOTAL INVESTMENTS				<u>\$ 4 151</u>	4 494	99.0
OTHER NET ASSETS					47	1.0
NET ASSETS					<u>\$ 4 541</u>	100.0

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

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 4 494	\$ 2 387
Cash	7	23
Subscriptions receivable	37	82
Dividends receivable, interest accrued and other assets	3	3
TOTAL ASSETS	4 541	2 495
LIABILITIES		
Redemptions payable	—	3
TOTAL LIABILITIES	—	3
NET ASSETS	\$ 4 541	\$ 2 492
Investments at cost	\$ 4 151	\$ 2 054
NET ASSETS PER SERIES, END OF PERIOD		
SERIES 0	\$ 4 541	\$ 2 492
NET ASSETS PER UNIT, END OF PERIOD		
SERIES 0	\$ 12.22	\$ 12.04
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES 0	\$ 12.24	\$ 12.05

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Interest	\$ 56	\$ 30
TOTAL INCOME (LOSS)	56	30
EXPENSES (see notes – Fund Specific Information)		
Administration fees	2	2
Board of Governors costs	2	—
TOTAL EXPENSES	4	2
Less expenses reimbursed by manager	(2)	—
TOTAL EXPENSES NET OF REIMBURSEMENTS	2	—
NET INVESTMENT INCOME (LOSS)	54	28
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	7	2
Change in unrealized gain (loss) in value of investments	10	77
NET GAIN (LOSS) ON INVESTMENTS	17	79
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 71	\$ 107
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES 0	\$ 71	\$ 107
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES 0	\$ 0.24	\$ 0.98

* Fund launched January 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director


Doug Coulter
Director

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

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series 0	
	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 2 492	\$ –
INCREASE (DECREASE) FROM OPERATIONS	71	107
Early redemption fees	–	–
Proceeds from units issued	2 224	1 444
Proceeds from reinvestment of distributions	3	–
Payments on redemption of units	(246)	(78)
TOTAL UNIT TRANSACTIONS	1 981	1 366
Distributions from net income	(3)	–
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS	(3)	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	2 049	1 473
NET ASSETS – END OF PERIOD	\$ 4 541	\$ 1 473

* Fund launched January 2011.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

June 30, 2012

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

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

Rating	June 30 2012	December 31 2011
AAA	100.0	100.0
Total debt securities	100.0	100.0

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	June 30 2012	December 31 2011
Less than 1 year	—	—
1 – 5 years	—	—
5 – 10 years	—	—
> 10 years	100.0	100.0
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 26.0% (December 31, 2011 – 25.4%). 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	4 494	—	4 494
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	4 494	—	4 494
% of total portfolio	—	100.0	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	2 387	—	2 387
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	2 387	—	2 387
% of total portfolio	—	100.0	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Operating expenses (see note 7 in the generic notes)

Administration fees payable by Series O of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series O	15 592	15 592
Value of all units	\$ 191	\$ 188

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

The Fund had no capital or non-capital losses as at December 31, 2011.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series 0		
Opening units	207	—
Issued number of units	185	146
Reinvested number of units	—	—
Redeemed number of units	(20)	(7)
Ending number of units	372	139

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

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

	June 30 2012	December 31 2011
Series 0		
Phillips, Hager & North LifeTime 2015 Fund	25	13
Phillips, Hager & North LifeTime 2020 Fund	61	38
Phillips, Hager & North LifeTime 2025 Fund	102	50
Phillips, Hager & North LifeTime 2030 Fund	55	32
Phillips, Hager & North LifeTime 2035 Fund	61	25
Phillips, Hager & North LifeTime 2040 Fund	38	25
Phillips, Hager & North LifeTime 2045 Fund	15	10
Total	357	193

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

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES					PREFERRED EQUITIES (cont.)				
223 400	Bank of Montreal, Preferred Series 15, 5.800%	\$ 5 818	\$ 6 001		10 000	Fortis Inc., Preferred Series E, 4.900%	\$ 272	\$ 267	
60 000	Bank of Montreal, Preferred Series 21, 6.500%	1 634	1 609		95 400	Fortis Inc., Preferred Series H, 4.900%	2 416	2 429	
46 800	Bank of Montreal, Preferred Series 23, 5.400%	1 258	1 243		123 700	Great-West Lifeco Inc., Preferred Series G, 5.200%	2 834	3 095	
41 000	Bank of Nova Scotia, Preferred Series 13, 4.800%	953	1 047		48 900	Great-West Lifeco Inc., Preferred Series J, 6.000%	1 323	1 276	
51 400	Bank of Nova Scotia, Preferred Series 14, 4.500%	1 212	1 319		23 200	Great-West Lifeco Inc., Preferred Series L, 5.650%	545	600	
50 000	Bank of Nova Scotia, Preferred Series 15, 4.500%	1 288	1 295		96 800	Great-West Lifeco Inc., Preferred Series M, 5.800%	2 441	2 531	
33 600	Bank of Nova Scotia, Preferred Series 16, 5.250%	845	887		157 900	Great-West Lifeco Inc., Preferred Series N, 3.650%	3 855	3 910	
117 100	Bank of Nova Scotia, Preferred Series 17, 5.600%	3 032	3 121		95 500	Great-West Lifeco Inc., Preferred Series P, 5.400%	2 388	2 450	
86 400	Bank of Nova Scotia, Preferred Series 22, 5.000%	2 259	2 201		64 500	Husky Energy Inc., Preferred Series 1, 4.450%	1 613	1 653	
48 800	Bank of Nova Scotia, Preferred Series 26, 6.250%	1 302	1 293		25 000	Manulife Financial Corporation, Preferred Series 5, 4.400%	621	628	
123 500	Bank of Nova Scotia, Preferred Series 28, 6.250%	3 321	3 262		100 000	Manulife Financial Corporation, Preferred Series 9, 4.400%	2 500	2 484	
23 100	Brookfield Asset Management Inc., Preferred Series 21, 5.000%	590	591		6 500	Power Corp of Canada, Preferred Series B, 5.350%	145	163	
164 100	Brookfield Asset Management Inc., Preferred Series 22, 7.000%	4 475	4 431		18 400	Royal Bank of Canada, Preferred Series AA, 4.450%*	420	471	
65 000	Brookfield Asset Management Inc., Preferred Series 32, 4.500%	1 633	1 635		122 400	Royal Bank of Canada, Preferred Series AC, 4.600%*	2 800	3 143	
71 400	Canadian Imperial Bank of Commerce, Preferred Series 29, 5.400%	1 707	1 838		5 000	Royal Bank of Canada, Preferred Series AF, 4.450%*	115	128	
51 200	Canadian Imperial Bank of Commerce, Preferred Series 33, 5.350%	1 352	1 339		7 500	Royal Bank of Canada, Preferred Series AN, 6.250%*	202	198	
238 000	Canadian Imperial Bank of Commerce, Preferred Series 35, 6.500%	6 424	6 355		24 100	Royal Bank of Canada, Preferred Series AP, 6.250%*	662	637	
105 100	Canadian Imperial Bank of Commerce, Preferred Series 37, 6.500%	2 863	2 811		25 000	Royal Bank of Canada, Preferred Series AR, 6.250%*	658	661	
8 900	Canadian Utilities Ltd., Preferred Series X, 6.000%	224	223		82 900	Royal Bank of Canada, Preferred Series AT, 6.250%*	2 241	2 220	
11 300	Canadian Utilities Ltd., Preferred Series Y, 4.000%	289	292		153 600	Royal Bank of Canada, Preferred Series AV, 6.250%*	4 207	4 123	
15 400	Canadian Utilities Ltd., Preferred Series AA, 4.900%	385	390		191 600	Royal Bank of Canada, Preferred Series AX, 6.100%*	5 219	5 148	
22 000	CU Inc., Preferred Series 1, 4.600%	431	548		68 100	Sun Life Financial Inc., Preferred Series 1, 4.750%	1 517	1 588	
15 600	CU Inc., Preferred Series 4, 3.800%	390	384		36 200	Sun Life Financial Inc., Preferred Series 2, 4.800%	717	847	
75 300	Enbridge Inc., Preferred Series B, 4.000%	1 897	1 925		14 500	Sun Life Financial Inc., Preferred Series 4, 4.450%	279	320	
56 800	Enbridge Inc., Preferred Series D, 4.000%	1 433	1 450		92 300	Sun Life Financial Inc., Preferred Series 5, 4.450%	1 950	2 030	
77 000	Enbridge Inc., Preferred Series F, 4.000%	1 937	1 960		30 700	Sun Life Financial Inc., Preferred Series 5, 4.500%	610	680	
81 500	Enbridge Inc., Preferred Series H, 4.000%	2 036	2 067						

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES (cont.)				
84 600	Sun Life Financial Inc., Preferred Series 6R, 6.000%	\$ 2 306	\$ 2 216	
63 300	Sun Life Financial Inc., Preferred Series 8R, 4.350%	1 583	1 565	
130 000	Toronto-Dominion Bank, Preferred Series Q, 5.600%	3 430	3 493	
30 000	Toronto-Dominion Bank, Preferred Series R, 5.600%	807	810	
24 000	Toronto-Dominion Bank, Preferred Series S, 5.000%	625	614	
37 000	Toronto-Dominion Bank, Preferred Series Y, 5.100%	962	948	
10 900	Toronto-Dominion Bank, Preferred Series AE, 6.250%	290	292	
33 000	Toronto-Dominion Bank, Preferred Series AG, 6.250%	902	885	
25 000	Toronto-Dominion Bank, Preferred Series AI, 6.250%	690	673	
152 800	Toronto-Dominion Bank, Preferred Series AK, 6.250%	4 175	4 115	
92 200	TransCanada Corp., Preferred Series 1, 4.600%	2 393	2 359	
28 400	TransCanada Corp., Preferred Series 3, 4.000%	707	713	
53 900	TransCanada Corp., Preferred Series 5, 4.400%	1 370	1 372	
TOTAL PREFERRED EQUITIES		113 778	115 252	4.9
CANADIAN EQUITIES				
Consumer Discretionary				
572 900	Cineplex Inc.	15 162	17 542	
421 400	Magna International Inc., Class A	18 082	16 902	
207 900	Quebecor Inc., Class B	7 685	7 624	
523 500	Shaw Communications Inc., Class B	10 659	10 062	
372 900	Thomson Corp.	10 876	10 784	
		62 464	62 914	2.7
Consumer Staples				
221 100	Loblaw Companies Ltd.	7 691	7 159	
		7 691	7 159	0.3
Energy				
1 525 150	ARC Resources Ltd.	33 043	34 834	
503 138	Baytex Energy Corp.	22 268	21 559	
942 610	Bonavista Energy Corp.	19 624	14 997	
195 300	Calfrac Well Services Ltd.	5 402	4 449	
575 200	Canadian Natural Resources Ltd.	19 398	15 697	
1 326 000	Cenovus Energy Inc.	45 361	42 909	
1 306 880	Enbridge Inc.	45 631	53 033	
948 400	EnCana Corp.	20 990	20 097	
172 000	Enerflex Ltd.	2 114	1 837	
744 391	Gibson Energy Inc.	13 321	15 320	
909 900	Husky Energy Inc.	22 361	23 111	
726 800	Mullen Group Ltd.	14 444	15 844	
270 100	Peyto Exploration & Development Corp.	4 484	5 186	

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
2 200	Talisman Energy Inc.	\$ 28	\$ 26	
274 300	Tourmaline Oil Corp.	7 533	7 359	
407 800	TransCanada Corp.	17 092	17 385	
1 704 200	Trinidad Drilling Ltd.	11 634	9 833	
779 700	Vermilion Energy Inc.	35 192	35 609	
		339 920	339 085	14.5
Financials				
486 100	AGF Management Ltd., Class B	8 506	5 473	
1 322 000	Bank of Nova Scotia	68 627	69 630	
132 100	Brookfield Asset Management Inc., Class A	3 976	4 450	
256 600	Brookfield Canada Office Properties	5 602	7 033	
1 807 400	Brookfield Office Properties Inc.	30 333	32 027	
451 560	Canadian Imperial Bank of Commerce	33 316	32 332	
319 320	Canadian Real Estate Investment Trust	11 633	12 952	
1 389 600	CI Financial Corp.	29 817	30 530	
651 900	Cominar Real Estate Investment Trust	14 187	15 600	
202 500	Fiera Capital Corp.	1 731	1 634	
40 300	Genworth MI Canada Inc.	965	743	
539 100	IGM Financial Inc.	22 721	21 564	
430 900	Intact Financial Corp.	25 686	27 220	
1 835 530	Manulife Financial Corporation	22 684	20 319	
1 505 500	Power Corporation of Canada	37 552	35 965	
1 432 310	Royal Bank of Canada*	76 061	74 594	
1 045 850	Toronto-Dominion Bank	80 576	83 250	
		473 973	475 316	20.3
Health Care				
1 255 900	CML HealthCare Inc.	12 749	12 006	
		12 749	12 006	0.5
Industrials				
2 267 100	Bombardier Inc., Class B	8 742	9 091	
417 100	Canadian National Railway Co.	32 358	35 796	
90 600	Canadian Pacific Railway Ltd.	5 323	6 758	
468 200	Ritchie Bros. Auctioneers Inc.	9 507	10 043	
425 300	SNC-Lavalin Group Inc.	19 306	16 178	
757 800	Toromont Industries Ltd.	15 155	16 626	
		90 391	94 492	4.0
Materials				
347 360	Barrick Gold Corp.	15 359	13 297	
780 200	Canexus Corp.	5 371	6 218	
271 600	Franco-Nevada Corp.	11 630	12 466	
979 300	Yamana Gold Inc.	16 270	15 355	
		48 630	47 336	2.0
Telecommunication Services				
902 180	Rogers Communications Inc., Class B	32 921	33 272	
613 600	TELUS Corp., Class A	34 481	36 521	
		67 402	69 793	3.0

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
1 167 810	Algonquin Power & Utilities Corp.	\$ 6 730	\$ 7 684	
336 500	Brookfield Infrastructure Partners LP	9 804	11 491	
899 010	Brookfield Renewable Energy Partners LP	22 163	25 451	
947 500	Innergex Renewable Energy Inc.	9 056	9 759	
		47 753	54 385	2.3
Other				
2 310 400	iShares S&P/TSX 60 Index Fund	38 367	38 353	
		38 367	38 353	1.6
TOTAL CANADIAN EQUITIES		1 189 340	1 200 839	51.2
MUTUAL FUND UNITS				
8 714 849	Phillips, Hager & North High Yield Bond Fund*	101 572	100 985	
11 289 128	RBC High Yield Bond Fund*	117 508	120 099	
TOTAL MUTUAL FUND UNITS		219 080	221 084	9.5

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 355	407 International Inc.	3.880	16-Jun-15	\$ 365	\$ 375	
795	407 International Inc.	4.450	15-Nov-41	795	858	
1 355	407 International Inc.	4.190	25-Apr-42	1 376	1 398	
1 720	Alliance Pipeline LP	7.181	30-Jun-23	2 095	2 118	
2 722	Alliance Pipeline LP	6.765	31-Dec-25	3 246	3 316	
1 481	Alliance Pipeline LP	7.217	31-Dec-25	1 840	1 840	
450	AltaGas Ltd.	4.070	01-Jun-20	450	462	
1 650	AltaLink Investments LP	5.207	16-Dec-16	1 763	1 802	
1 552	AltaLink Investments LP	3.674	05-Jun-19	1 552	1 553	
961	AltaLink LP	4.462	08-Nov-41	1 008	1 046	
5 000	American Express Canada Credit Corp.	4.853	03-Oct-14	5 276	5 281	
2 070	Bank of Montreal	5.180	10-Jun-15	2 275	2 253	
9 275	Bank of Montreal	3.490	10-Jun-16	9 287	9 673	
9 348	Bank of Montreal	2.960	02-Aug-16	9 542	9 564	
270	Bank of Montreal	5.450	17-Jul-17	308	307	
2 135	Bank of Montreal	4.870	22-Apr-20	2 288	2 278	
4 360	Bank of Nova Scotia	2.250	08-May-15	4 360	4 381	
280	Bank of Nova Scotia	3.610	22-Feb-16	294	293	
5 723	Bank of Nova Scotia	2.740	01-Dec-16	5 759	5 802	
9 785	Bank of Nova Scotia	2.598	27-Feb-17	9 774	9 854	
5 230	Bank of Nova Scotia	4.100	08-Jun-17	5 354	5 622	
165	Bank of Nova Scotia	4.990	27-Mar-18	176	169	
795	Bank of Nova Scotia	6.650	22-Jan-21	900	904	
710	BC Tel	9.650	08-Apr-22	959	1 049	
730	bcIMC Realty Corp.	2.650	29-Jun-17	730	731	
1 495	bcIMC Realty Corp.	3.510	29-Jun-22	1 495	1 498	
2 215	Bell Aliant Regional Communications LP	6.290	17-Feb-15	2 439	2 407	
1 960	Bell Aliant Regional Communications LP	4.880	26-Apr-18	1 973	2 077	
400	Bell Canada	4.850	30-Jun-14	424	422	
2 735	Bell Canada	3.350	18-Jun-19	2 731	2 744	
3 495	Bell Canada	4.950	19-May-21	3 482	3 839	

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 345	Bell Canada	7.300	23-Feb-32	\$ 390	\$ 446	
1 600	Brookfield Asset Management Inc.	8.950	02-Jun-14	1 853	1 780	
1 002	Brookfield Asset Management Inc.	3.950	09-Apr-19	1 002	1 013	
1 260	Brookfield Asset Management Inc.	5.300	01-Mar-21	1 254	1 369	
640	Brookfield Asset Management Inc.	5.950	14-Jun-35	612	625	
750	Brookfield Renewable Power Inc.	6.132	30-Nov-16	800	837	
2 007	BRP Finance ULC	4.790	07-Feb-22	2 012	2 084	
3 572	Caisse Centrale Desjardins	3.502	05-Oct-17	3 609	3 725	
640	Canada Safeway Ltd.	3.000	31-Mar-14	641	647	
3 675	Canadian Credit Card Trust	5.365	25-Mar-13	3 885	3 778	
4 100	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	4 139	4 217	
3 840	Canadian Imperial Bank of Commerce	2.200	22-May-15	3 835	3 854	
10 480	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	10 549	10 878	
1 985	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	2 005	2 005	
5 287	Canadian Imperial Bank of Commerce	3.950	14-Jul-17	5 359	5 650	
470	Canadian Pacific Railway Ltd.	6.450	17-Nov-39	501	544	
290	Capital Desjardins Inc.	5.187	05-May-20	290	325	
2 143	Capital Desjardins Inc.	3.797	23-Nov-20	2 137	2 210	
225	Cards II Trust	3.096	15-Sep-15	227	232	
1 626	Caterpillar Financial Services Ltd.	2.630	01-Jun-17	1 626	1 637	
1 005	Centre Street Trust	3.690	14-Jun-21	1 005	1 007	
2 365	Citigroup Finance Canada Inc.	5.500	21-May-13	2 463	2 426	
1 065	CU Inc.	6.145	22-Nov-17	1 278	1 271	
620	CU Inc.	6.800	13-Aug-19	794	789	
1 150	CU Inc.	6.215	06-Mar-24	1 362	1 478	
810	CU Inc.	5.580	26-May-38	884	1 029	
500	Emera Inc.	4.100	20-Oct-14	524	521	
1 510	Emera Inc.	2.960	13-Dec-16	1 509	1 531	
500	Emera Inc.	4.830	02-Dec-19	536	550	
1 450	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	1 607	1 660	
550	Enbridge Gas Distribution Inc.	6.050	05-Jul-23	675	694	
485	Enbridge Inc.	4.770	02-Sep-19	492	543	
4 001	Enbridge Inc.	4.260	01-Feb-21	4 027	4 340	
1 350	Enbridge Inc.	5.120	28-Sep-40	1 394	1 531	
3 300	EnCana Corp.	5.800	18-Jan-18	3 699	3 696	
980	Enersource Corp.	4.521	29-Apr-21	980	1 105	
720	EPCOR Utilities Inc.	6.750	22-Mar-16	852	830	
2 390	EPCOR Utilities Inc.	5.800	31-Jan-18	2 696	2 768	
235	EPCOR Utilities Inc.	5.650	16-Nov-35	282	282	
2 665	Finning International Inc.	6.020	01-Jun-18	3 112	3 108	
2 510	Golden Credit Card Trust	5.421	15-Apr-13	2 634	2 588	
535	Golden Credit Card Trust	3.510	15-May-16	558	559	
2 275	Great-West Lifeco Inc.	4.650	13-Aug-20	2 396	2 486	
960	Great-West Lifeco Inc.	5.998	16-Nov-39	1 035	1 116	
7 197	Greater Toronto Airports Authority	6.250	13-Dec-12	7 656	7 350	
2 015	Greater Toronto Airports Authority	5.960	20-Nov-19	2 448	2 454	
350	Greater Toronto Airports Authority	4.530	02-Dec-41	350	382	
2 000	HSBC Bank Canada	3.860	21-May-15	2 068	2 093	
4 660	HSBC Bank Canada	2.572	23-Nov-15	4 660	4 685	
3 730	HSBC Bank Canada	2.901	13-Jan-17	3 730	3 775	
2 185	HSBC Bank Canada	3.558	04-Oct-17	2 190	2 277	
780	Hydro One Inc.	6.930	01-Jun-32	1 080	1 106	
1 720	Hydro One Inc.	6.350	31-Jan-34	2 309	2 329	
350	John Deere Credit Inc.	3.900	29-Jul-13	361	359	
1 090	John Deere Canada Funding Inc.	2.300	05-Jul-16	1 090	1 091	
900	Loblaw Companies Ltd.	6.540	17-Feb-33	1 036	1 052	
470	Lower Mattagami Energy LP	4.331	18-May-21	470	522	

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 757	Manitoba Telecom Services Inc.	4.590	01-Oct-18	\$ 757	\$ 805	
6 535	Master Credit Card Trust	5.297	21-Aug-12	6 808	6 569	
1 080	Master Credit Card Trust	3.502	21-May-16	1 128	1 127	
1 100	Molson Coors Capital Finance ULC	5.000	22-Sep-15	1 181	1 184	
3 570	National Bank of Canada	2.231	30-Jan-15	3 571	3 584	
250	National Bank of Canada	3.580	26-Apr-16	262	260	
1 625	National Bank of Canada	3.261	11-Apr-22	1 625	1 643	
800	NAV Canada	5.304	17-Apr-19	940	936	
5 038	Nova Scotia Power Inc.	5.750	01-Oct-13	5 422	5 291	
430	Nova Scotia Power Inc.	8.850	19-May-25	645	647	
687	Ontrea Inc.	4.619	09-Apr-18	687	750	
1 400	OPB Finance Trust	3.890	04-Jul-42	1 399	1 407	
570	Plenary Health Hamilton LP	3.157	13-Dec-13	570	577	
115	Plenary Properties LTAP LP	6.288	31-Jan-44	122	147	
415	Rogers Communications Inc.	5.380	04-Nov-19	441	466	
595	Rogers Communications Inc.	4.700	29-Sep-20	595	639	
4 110	Rogers Communications Inc.	5.340	22-Mar-21	4 222	4 562	
1 750	Rogers Communications Inc.	6.110	25-Aug-40	1 697	1 931	
7 575	Royal Bank of Canada*	3.360	11-Jan-16	7 726	7 852	
15 185	Royal Bank of Canada*	2.680	08-Dec-16	15 268	15 364	
10 650	Royal Bank of Canada*	2.580	13-Apr-17	10 612	10 713	
1 035	Royal Bank of Canada*	5.450	04-Nov-18	1 106	1 083	
2 325	Royal Bank of Canada*	4.350	15-Jun-20	2 402	2 440	
430	Shaw Communications Inc.	5.650	01-Oct-19	444	477	
1 075	Shaw Communications Inc.	5.500	07-Dec-20	1 123	1 180	
1 400	Shaw Communications Inc.	6.750	09-Nov-39	1 379	1 475	
1 300	Sobeys Inc.	5.790	06-Oct-36	1 255	1 350	
535	Sobeys Inc.	6.640	07-Jun-40	548	629	
2 785	Sun Life Financial Inc.	5.700	02-Jul-19	3 001	3 158	
935	Sun Life Financial Inc.	4.380	02-Mar-22	935	951	
300	Sun Life Financial Inc.	4.950	01-Jun-36	311	307	
3 350	TELUS Corp.	4.950	15-May-14	3 555	3 533	
2 900	TELUS Corp.	3.650	25-May-16	2 962	3 019	
2 000	Teranet Holdings LP	3.531	16-Dec-15	2 066	2 069	
1 970	Teranet Holdings LP	4.807	16-Dec-20	2 004	2 178	
1 740	Teranet Holdings LP	5.754	17-Dec-40	1 699	1 855	
1 000	Terasen Gas Inc.	5.550	25-Sep-36	1 070	1 251	
2 120	The Manufacturers Life Insurance Co.	4.165	01-Jun-22	2 120	2 163	
3 750	Toronto-Dominion Bank	5.382	01-Nov-17	3 936	3 793	
85	Toronto Hydro Corp.	6.110	06-May-13	94	88	
1 730	Toronto Hydro Corp.	5.150	14-Nov-17	1 972	1 972	
335	Toronto Hydro Corp.	4.490	12-Nov-19	368	376	
2 293	Toronto Hydro Corp.	3.540	18-Nov-21	2 314	2 399	
1 015	TransAlta Corp.	6.450	29-May-14	1 104	1 078	
555	TransCanada PipeLines Ltd.	3.650	15-Nov-21	554	587	
3 070	Union Gas Ltd.	7.900	24-Feb-14	3 498	3 371	
500	Union Gas Ltd.	4.640	30-Jun-16	538	548	
185	Union Gas Ltd.	9.700	06-Nov-17	255	250	
600	Union Gas Ltd.	8.750	03-Aug-18	798	800	
2 015	Union Gas Ltd.	4.880	21-Jun-41	2 167	2 323	
971	Veresen Inc.	3.950	14-Mar-17	970	986	
968	Veresen Inc.	4.000	22-Nov-18	965	975	
5 265	Wells Fargo Financial Canada Corp.	5.200	13-Sep-12	5 507	5 301	
870	Wells Fargo Financial Canada Corp.	4.330	06-Dec-13	909	901	
1 931	Wells Fargo Financial Canada Corp.	3.970	03-Nov-14	2 018	2 011	
1 330	Wells Fargo Financial Canada Corp.	4.380	30-Jun-15	1 419	1 410	

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 5 690	Wells Fargo Financial Canada Corp.	2.774	09-Feb-17	\$ 5 689	\$ 5 705	
1 305	Westcoast Energy Inc.	3.280	15-Jan-16	1 344	1 349	
2 515	Westcoast Energy Inc.	5.600	16-Jan-19	2 897	2 947	
2 300	Westcoast Energy Inc.	3.883	28-Oct-21	2 365	2 450	
				332 623	338 347	14.5
FEDERAL						
5 620	Canada Housing Trust No. 1	4.100	15-Dec-18	6 295	6 383	
8 772	Canada Housing Trust No. 1	3.750	15-Mar-20	9 825	9 844	
4 853	Canada Housing Trust No. 1	3.800	15-Jun-21	5 060	5 495	
4 739	Canada Housing Trust No. 1	2.650	15-Mar-22	4 872	4 900	
136 299	Government of Canada	2.000	01-Sep-12	136 584	136 511	
6 023	Government of Canada	1.500	01-Mar-17	6 085	6 091	
2 147	Government of Canada	4.000	01-Jun-17	2 425	2 423	
843	Government of Canada	4.250	01-Jun-18	980	980	
3 772	Government of Canada	2.750	01-Jun-22	4 112	4 117	
1 806	Government of Canada	4.000	01-Jun-41	2 435	2 438	
				178 673	179 182	7.7
PROVINCIAL/MUNICIPAL						
416	Cadillac Fairview Finance Trust	3.240	25-Jan-16	416	433	
10	Hospital for Sick Children	5.217	16-Dec-49	10	12	
510	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	509	526	
1 074	Province of New Brunswick	3.550	03-Jun-43	1 070	1 076	
27 823	Province of Ontario	4.200	02-Jun-20	30 934	31 219	
3 165	Province of Ontario	3.150	02-Jun-22	3 253	3 269	
1 956	Province of Ontario	8.100	08-Sep-23	2 739	2 923	
1 160	Province of Ontario	8.500	02-Dec-25	1 684	1 844	
41 470	Province of Ontario	7.600	02-Jun-27	58 620	63 127	
37 818	Province of Ontario	6.500	08-Mar-29	50 734	53 495	
11 937	Province of Ontario	5.850	08-Mar-33	15 063	16 231	
8 055	Province of Ontario	5.600	02-Jun-35	10 682	10 776	
7 562	Province of Ontario	4.700	02-Jun-37	7 919	9 099	
4 748	Province of Ontario	4.600	02-Jun-39	4 891	5 691	
7 512	Province of Ontario	4.650	02-Jun-41	8 998	9 196	
2 327	Province of Quebec	4.500	01-Dec-19	2 561	2 648	
1 107	Province of Quebec	4.250	01-Dec-21	1 211	1 241	
5 503	Province of Quebec	3.500	01-Dec-22	5 681	5 792	
2 789	Province of Quebec	9.375	16-Jan-23	4 372	4 395	
2 684	Province of Quebec	8.500	01-Apr-26	4 228	4 235	
10 808	Province of Quebec	6.250	01-Jun-32	13 897	15 028	
3 109	Province of Quebec	5.750	01-Dec-36	4 204	4 192	
4 357	Province of Quebec	5.000	01-Dec-41	5 382	5 511	
675	TransLink	3.800	02-Nov-20	675	722	
				239 733	252 681	10.8
TOTAL CANADIAN BONDS				751 029	770 210	33.0
UNITED KINGDOM BONDS						
1 750	BAA Funding Ltd. CAD	4.000	03-Jul-19	1 739	1 744	
TOTAL UNITED KINGDOM BONDS				1 739	1 744	0.1
UNITED STATES BONDS						
2 745	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	2 785	2 881	
2 430	Bank of America Corp. CAD	5.450	17-Sep-14	2 515	2 520	
2 230	Bear Stearns Cos LLC CAD	4.350	20-Jul-12	2 295	2 233	
4 050	Molson Coors International LP CAD	3.950	06-Oct-17	3 998	4 210	
TOTAL UNITED STATES BONDS				11 593	11 844	0.5
TOTAL BONDS				764 361	783 798	33.6

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

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

PHILLIPS, HAGER & NORTH
Investment Management™

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
MORTGAGE-BACKED SECURITIES						
\$ 124	Equitable Trust	4.350	01-Jan-18	\$ 128	\$ 137	
38	Peoples Trust	4.200	01-Oct-19	38	42	
TOTAL MORTGAGE-BACKED SECURITIES				166	179	—
SHORT-TERM INVESTMENTS†				32 896	32 896	1.4
TOTAL INVESTMENTS				<u>\$ 2 319 621</u>	2 354 048	100.6
OTHER NET ASSETS (LIABILITIES)					(17 460)	(0.6)
NET ASSETS					<u>\$ 2 336 588</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.10% and mature on July 3, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 2 354 048	\$ 2 025 281
Cash	612	139
Due from investment dealers	33 063	4 892
Subscriptions receivable	2 531	2 208
Dividends receivable, interest accrued and other assets	11 626	9 451
TOTAL ASSETS	2 401 880	2 041 971
LIABILITIES		
Due to investment dealers	62 240	11 893
Redemptions payable	1 817	493
Distributions payable	1	—
Accounts payable and accrued expenses	1 234	1 178
TOTAL LIABILITIES	65 292	13 564
NET ASSETS	\$ 2 336 588	\$ 2 028 407
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 568 384	\$ 540 602
ADVISOR SERIES	\$ 84 489	\$ 69 756
SERIES D	\$ 102 284	\$ 92 115
SERIES F	\$ 77 509	\$ 61 171
SERIES O	\$ 1 503 922	\$ 1 264 763
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 10.18	\$ 10.19
ADVISOR SERIES	\$ 10.18	\$ 10.19
SERIES D	\$ 10.40	\$ 10.36
SERIES F	\$ 10.47	\$ 10.42
SERIES O	\$ 10.65	\$ 10.56
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 10.19	\$ 10.20
ADVISOR SERIES	\$ 10.19	\$ 10.20
SERIES D	\$ 10.41	\$ 10.38
SERIES F	\$ 10.49	\$ 10.44
SERIES O	\$ 10.67	\$ 10.58

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 23 354	\$ 13 956
Interest	16 632	9 403
Other revenue	6 720	3 732
Other income (loss)	1 277	1 385
TOTAL INCOME (LOSS)	47 983	28 476
EXPENSES (see notes – Fund Specific Information)		
Management fees	5 961	4 114
Administration fees	759	477
Board of Governors costs	2	2
GST/HST	726	487
TOTAL EXPENSES	7 448	5 080
NET INVESTMENT INCOME (LOSS)	40 535	23 396
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	7 206	35 529
Net gain (loss) on foreign currencies and other net assets	(13)	63
Change in unrealized gain (loss) in value of investments	19 942	(16 624)
Transaction costs	(3 442)	(2 906)
NET GAIN (LOSS) ON INVESTMENTS	23 693	16 062
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
	\$ 64 228	\$ 39 458
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 13 167	\$ 10 365
ADVISOR SERIES	\$ 1 762	\$ 545
SERIES D	\$ 2 680	\$ 2 056
SERIES F	\$ 1 984	\$ 1 492
SERIES O	\$ 44 635	\$ 25 000
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.24	\$ 0.26
ADVISOR SERIES	\$ 0.24	\$ 0.26
SERIES D	\$ 0.28	\$ 0.30
SERIES F	\$ 0.30	\$ 0.32
SERIES O	\$ 0.35	\$ 0.36

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 540 602	\$ 297 444	\$ 69 756	\$ 10 522	\$ 92 115	\$ 49 048	\$ 61 171	\$ 34 234
INCREASE (DECREASE) FROM OPERATIONS	13 167	10 365	1 762	545	2 680	2 056	1 984	1 492
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	73 876	216 954	17 801	44 217	19 389	42 768	24 493	36 462
Proceeds from reinvestment of distributions	9 965	7 440	1 284	592	1 724	1 232	1 184	821
Payments on redemption of units	(55 156)	(23 683)	(4 142)	(1 272)	(11 187)	(6 577)	(9 486)	(3 805)
TOTAL UNIT TRANSACTIONS	28 685	200 711	14 943	43 537	9 926	37 423	16 191	33 478
Distributions from net income	(14 070)	(10 530)	(1 972)	(852)	(2 437)	(1 794)	(1 837)	(1 285)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(14 070)	(10 530)	(1 972)	(852)	(2 437)	(1 794)	(1 837)	(1 285)
TOTAL INCREASE (DECREASE) IN NET ASSETS	27 782	200 546	14 733	43 230	10 169	37 685	16 338	33 685
NET ASSETS – END OF PERIOD	\$ 568 384	\$ 497 990	\$ 84 489	\$ 53 752	\$ 102 284	\$ 86 733	\$ 77 509	\$ 67 919

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 1 264 763	\$ 458 695	\$ 2 028 407	\$ 849 943
INCREASE (DECREASE) FROM OPERATIONS	44 635	25 000	64 228	39 458
Early redemption fees	–	–	–	–
Proceeds from units issued	195 857	570 520	331 416	910 921
Proceeds from reinvestment of distributions	35 366	20 089	49 523	30 174
Payments on redemption of units	(1 318)	(360)	(81 289)	(35 697)
TOTAL UNIT TRANSACTIONS	229 905	590 249	299 650	905 398
Distributions from net income	(35 381)	(20 095)	(55 697)	(34 556)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	(35 381)	(20 095)	(55 697)	(34 556)
TOTAL INCREASE (DECREASE) IN NET ASSETS	239 159	595 154	308 181	910 300
NET ASSETS – END OF PERIOD	\$ 1 503 922	\$ 1 053 849	\$ 2 336 588	\$ 1 760 243

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

June 30, 2012

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

Any securities deemed to be illiquid are identified in the Statement of Investment Portfolio. Illiquid securities represent approximately 0.0% (December 31, 2011 – 0.0%) of the net assets of the Fund.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 33.6% (December 31, 2011 – 35.8%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2012	December 31 2011
AAA	24.9	33.0
AA	44.8	42.5
A	18.9	14.5
BBB	11.4	10.0
Total debt securities	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 33.6% (December 31, 2011 – 35.8%) of the net assets 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	June 30 2012	December 31 2011
Less than 1 year	21.8	28.2
1 – 5 years	25.5	22.5
5 – 10 years	21.3	18.8
> 10 years	31.4	30.5
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.0% (December 31, 2011 – 2.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 30-month (December 31, 2011 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.4	+ or - 0.4

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	1 316 091	–	–	1 316 091
Mutual fund units	221 084	–	–	221 084
Fixed-income and debt securities	–	783 977	–	783 977
Short-term investments	–	32 896	–	32 896
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 537 175	816 873	–	2 354 048
% of total portfolio	65.3	34.7	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	1 094 708	–	–	1 094 708
Mutual fund units	198 292	–	–	198 292
Fixed-income and debt securities	–	725 582	–	725 582
Short-term investments	–	6 699	–	6 699
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 293 000	732 281	–	2 025 281
% of total portfolio	63.8	36.2	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

June 30, 2012

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.65%
Advisor Series	1.65%
Series D	0.90%
Series F	0.65%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Advisor Series	104	101
Series O	52	50
Value of all units	\$ 2	\$ 2

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	53 076	27 986
Issued number of units	7 175	20 132
Reinvested number of units	972	689
Redeemed number of units	(5 381)	(2 201)
Ending number of units	55 842	46 606
Advisor Series		
Opening units	6 849	990
Issued number of units	1 731	4 103
Reinvested number of units	125	55
Redeemed number of units	(404)	(118)
Ending number of units	8 301	5 030
Series D		
Opening units	8 890	4 577
Issued number of units	1 849	3 929
Reinvested number of units	165	113
Redeemed number of units	(1 067)	(603)
Ending number of units	9 837	8 016
Series F		
Opening units	5 869	3 186
Issued number of units	2 321	3 338
Reinvested number of units	112	75
Redeemed number of units	(901)	(349)
Ending number of units	7 401	6 250
Series O		
Opening units	119 746	42 463
Issued number of units	18 218	51 847
Reinvested number of units	3 308	1 819
Redeemed number of units	(124)	(33)
Ending number of units	141 148	96 096

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2012

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	3 442	100	2 906	100
Related-party brokerage commissions*	393	11	275	9
Commission arrangements†	133	4	140	5

* See note 7 in the generic notes.

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

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

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

	June 30 2012	December 31 2011
Series 0		
RBC Phillips, Hager & North Monthly Income Fund	137 697	117 165
Phillips, Hager & North Monthly Income		
Guaranteed Investment Fund	–	1 474
Total	137 697	118 639

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series 0		
Phillips Hager & North High Yield Bond Fund	\$ 2 731	\$ 2 404
RBC High Yield Bond Fund	3 989	1 328
Total other revenue	\$ 6 720	\$ 3 732
Capital gains received from underlying funds	\$ –	\$ –

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

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

PHILLIPS, HAGER & NORTH BALANCED FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
26 796 205	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 227 541	\$ 238 647	
3 104 930	Phillips, Hager & North U.S. Equity Fund*	105 576	97 208	
10 704 875	Phillips, Hager & North Overseas Equity Pension Trust*	107 076	84 586	
TOTAL MUTUAL FUND UNITS		440 193	420 441	60.9

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 196	407 International Inc.	4.300	26-May-21	\$ 196	\$ 218	
385	407 International Inc.	4.450	15-Nov-41	385	416	
110	407 International Inc.	4.190	25-Apr-42	110	114	
503	Alliance Pipeline LP	7.217	31-Dec-25	625	625	
140	AltaGas Ltd.	4.070	01-Jun-20	140	144	
535	AltaLink Investments LP	5.207	16-Dec-16	535	584	
453	AltaLink Investments LP	3.674	05-Jun-19	453	453	
144	AltaLink LP	4.462	08-Nov-41	144	157	
2 585	American Express Canada Credit Corp.	5.900	02-Apr-13	2 582	2 665	
415	Bank of Montreal	5.180	10-Jun-15	446	452	
2 265	Bank of Montreal	3.490	10-Jun-16	2 284	2 362	
1 713	Bank of Montreal	2.960	02-Aug-16	1 742	1 753	
80	Bank of Montreal	5.450	17-Jul-17	91	91	
1 320	Bank of Nova Scotia	2.250	08-May-15	1 320	1 326	
80	Bank of Nova Scotia	3.610	22-Feb-16	84	84	
794	Bank of Nova Scotia	2.740	01-Dec-16	796	805	
1 515	Bank of Nova Scotia	2.598	27-Feb-17	1 515	1 526	
3 990	Bank of Nova Scotia	6.000	03-Oct-18	3 989	4 189	
650	Bank of Nova Scotia	6.650	22-Jan-21	657	739	
215	bcIMC Realty Corp.	2.650	29-Jun-17	215	215	
440	bcIMC Realty Corp.	3.510	29-Jun-22	440	441	
325	Bell Aliant Regional Communications LP	4.950	26-Feb-14	311	338	
250	Bell Aliant Regional Communications LP	6.290	17-Feb-15	278	272	
290	Bell Aliant Regional Communications LP	4.880	26-Apr-18	290	307	
225	Bell Aliant Regional Communications LP	5.520	26-Feb-19	213	246	
760	Bell Canada	4.400	16-Mar-18	761	812	
215	Bell Canada	3.350	18-Jun-19	215	216	
455	Bell Canada	4.950	19-May-21	453	500	
455	Bell Canada	6.550	01-May-29	457	550	
35	Bell Canada	7.850	02-Apr-31	38	48	
125	British Columbia Ferry Services Inc.	6.250	13-Oct-34	125	160	
312	Brookfield Asset Management Inc.	3.950	09-Apr-19	312	315	
230	Brookfield Asset Management Inc.	5.300	01-Mar-21	230	250	
1 250	Brookfield Asset Management Inc.	5.950	14-Jun-35	1 242	1 221	
575	Brookfield Renewable Power Inc.	6.132	30-Nov-16	575	641	
517	BRP Finance ULC	4.790	07-Feb-22	517	537	
703	Caisse Centrale Desjardins	3.502	05-Oct-17	712	733	
925	Calloway Real Estate Investment Trust	5.370	12-Oct-16	921	997	
130	Canada Safeway Ltd.	3.000	31-Mar-14	131	131	
800	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	822	854	
1 765	Canadian Imperial Bank of Commerce	2.200	22-May-15	1 764	1 772	
1 475	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	1 534	1 531	

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

PHILLIPS, HAGER & NORTH BALANCED FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 2 538	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	\$ 2 543	\$ 2 564	
861	Canadian Imperial Bank of Commerce	3.950	14-Jul-17	868	920	
515	Capital Desjardins Inc.	5.187	05-May-20	515	577	
374	Capital Desjardins Inc.	3.797	23-Nov-20	374	386	
550	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	552	551	
476	Caterpillar Financial Services Ltd.	2.630	01-Jun-17	476	479	
295	Centre Street Trust	3.690	14-Jun-21	295	296	
320	CI Investments Inc.	3.940	14-Dec-16	320	331	
2 500	Citigroup Finance Canada Inc.	5.500	21-May-13	2 507	2 565	
645	CU Inc.	6.145	22-Nov-17	774	770	
560	CU Inc.	6.800	13-Aug-19	717	713	
370	CU Inc.	6.500	07-Mar-39	370	527	
295	Emera Inc.	4.100	20-Oct-14	295	307	
540	Emera Inc.	2.960	13-Dec-16	540	548	
220	Emera Inc.	4.830	02-Dec-19	236	242	
600	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	665	687	
420	Enbridge Inc.	4.770	02-Sep-19	420	470	
420	Enbridge Inc.	4.530	09-Mar-20	449	463	
435	Enbridge Inc.	4.260	01-Feb-21	435	472	
180	Enbridge Inc.	5.120	28-Sep-40	180	204	
230	Enbridge Pipelines Inc.	4.450	06-Apr-20	257	258	
305	Enbridge Pipelines Inc.	5.330	06-Apr-40	305	379	
1 245	EnCana Corp.	5.800	18-Jan-18	1 389	1 394	
550	Enersource Corp.	4.521	29-Apr-21	550	620	
430	EPCOR Utilities Inc.	6.750	22-Mar-16	509	495	
135	EPCOR Utilities Inc.	5.800	31-Jan-18	155	156	
315	Finning International Inc.	6.020	01-Jun-18	368	367	
645	Gaz Metropolitan Inc.	4.930	18-Jun-19	736	740	
460	Golden Credit Card Trust	3.510	15-May-16	480	480	
700	Great-West Lifeco Inc.	4.650	13-Aug-20	751	765	
360	Greater Toronto Airports Authority	5.960	20-Nov-19	437	439	
955	HSBC Bank Canada	3.860	21-May-15	955	999	
1 380	HSBC Bank Canada	2.572	23-Nov-15	1 380	1 387	
1 125	HSBC Bank Canada	2.901	13-Jan-17	1 125	1 138	
1 200	HSBC Bank Canada	3.558	04-Oct-17	1 200	1 251	
320	John Deere Canada Funding Inc.	2.300	05-Jul-16	320	320	
655	John Deere Credit Inc.	3.900	29-Jul-13	654	671	
255	Loblaw Companies Ltd.	6.450	09-Feb-28	262	293	
250	Lower Mattagami Energy LP	4.331	18-May-21	250	278	
291	Manitoba Telecom Services Inc.	4.590	01-Oct-18	291	310	
4 090	Master Credit Card Trust	5.297	21-Aug-12	4 089	4 111	
1 800	MI Developments Inc.	6.050	22-Dec-16	1 794	1 864	
155	Molson Coors Capital Finance ULC	5.000	22-Sep-15	165	167	
1 140	National Bank of Canada	2.231	30-Jan-15	1 140	1 145	
220	NAV Canada	5.304	17-Apr-19	258	257	
130	Nova Scotia Power Inc.	8.850	19-May-25	195	196	
417	Ontrea Inc.	4.619	09-Apr-18	417	455	
410	OPB Finance Trust	3.890	04-Jul-42	410	411	
660	Plenary Health Hamilton LP	3.157	13-Dec-13	660	667	
105	Plenary Properties LTAP LP	6.288	31-Jan-44	111	133	
1 500	Rogers Communications Inc.	5.340	22-Mar-21	1 511	1 664	
575	Rogers Communications Inc.	6.680	04-Nov-39	574	680	
990	Royal Bank of Canada*	3.360	11-Jan-16	1 024	1 025	
400	Royal Bank of Canada*	2.680	08-Dec-16	405	404	
2 845	Royal Bank of Canada*	2.580	13-Apr-17	2 845	2 861	
1 710	Royal Bank of Canada*	4.350	15-Jun-20	1 733	1 793	
1 645	Royal Bank of Canada*	3.180	02-Nov-20	1 606	1 671	

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

PHILLIPS, HAGER & NORTH BALANCED FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
\$ 825	Shaw Communications Inc.	5.500	07-Dec-20	\$ 822	\$ 905	
290	Shaw Communications Inc.	6.750	09-Nov-39	282	305	
475	Sobeys Inc.	5.790	06-Oct-36	475	492	
235	Sobeys Inc.	6.640	07-Jun-40	235	276	
1 540	Sun Life Capital Trust II	5.863	31-Dec-19	1 540	1 615	
10	Sun Life Financial Inc.	4.950	01-Jun-36	10	10	
425	TELUS Corp.	5.950	15-Apr-15	466	467	
1 035	Teranet Holdings LP	4.807	16-Dec-20	1 064	1 145	
305	Teranet Holdings LP	5.754	17-Dec-40	305	325	
90	Teranet Holdings LP	6.100	17-Jun-41	93	103	
675	The Manufacturers Life Insurance Co.	4.165	01-Jun-22	675	689	
5 540	Toronto-Dominion Bank	5.382	01-Nov-17	5 573	5 604	
155	Toronto Hydro Corp.	6.110	06-May-13	170	161	
145	Toronto Hydro Corp.	5.150	14-Nov-17	165	165	
545	Toronto Hydro Corp.	4.490	12-Nov-19	599	611	
275	Toronto Hydro Corp.	3.540	18-Nov-21	275	288	
205	TransCanada PipeLines Ltd.	3.650	15-Nov-21	205	217	
800	Union Gas Ltd.	8.750	03-Aug-18	1 060	1 066	
440	Union Gas Ltd.	4.880	21-Jun-41	439	507	
820	Veresen Inc.	3.950	14-Mar-17	823	832	
358	Veresen Inc.	4.000	22-Nov-18	356	361	
2 125	Wells Fargo Financial Canada Corp.	5.200	13-Sep-12	2 103	2 140	
350	Wells Fargo Financial Canada Corp.	4.330	06-Dec-13	365	362	
312	Wells Fargo Financial Canada Corp.	3.970	03-Nov-14	326	325	
445	Wells Fargo Financial Canada Corp.	4.380	30-Jun-15	474	472	
500	Wells Fargo Financial Canada Corp.	3.700	30-Mar-16	519	521	
1 280	Wells Fargo Financial Canada Corp.	2.774	09-Feb-17	1 280	1 283	
234	Westcoast Energy Inc.	3.280	15-Jan-16	234	242	
565	Westcoast Energy Inc.	5.600	16-Jan-19	650	662	
100	Westcoast Energy Inc.	7.150	20-Mar-31	93	141	
200	Westcoast Energy Inc.	4.791	28-Oct-41	221	223	
432	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	432	513	
				97 821	101 134	14.7
FEDERAL						
1 675	Canada Housing Trust No. 1	4.100	15-Dec-18	1 877	1 902	
3 242	Canada Housing Trust No. 1	3.750	15-Mar-20	3 551	3 638	
608	Canada Housing Trust No. 1	2.650	15-Mar-22	625	629	
352	CBC Monetization Trust	4.688	15-May-27	352	399	
23 316	Government of Canada	2.000	01-Sep-12	23 364	23 352	
215	Government of Canada	3.000	01-Dec-15	228	228	
166	Government of Canada	4.000	01-Jun-17	187	187	
2 619	Government of Canada	2.750	01-Jun-22	2 850	2 859	
5	Government of Canada	5.750	01-Jun-29	8	8	
655	Government of Canada	4.000	01-Jun-41	883	884	
				33 925	34 086	4.9
PROVINCIAL						
836	Cadillac Fairview Finance Trust	3.240	25-Jan-16	836	870	
540	Hospital for Sick Children	5.217	16-Dec-49	527	663	
159	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	159	164	
5 250	Ontario Electricity Financial Corp.	8.500	26-May-25	6 622	8 230	
314	Province of New Brunswick	3.550	03-Jun-43	313	315	
47	Province of Ontario	4.400	02-Jun-19	52	53	
1 556	Province of Ontario	3.150	02-Jun-22	1 599	1 607	
4 708	Province of Ontario	8.100	08-Sep-23	6 534	7 037	
970	Province of Ontario	8.500	02-Dec-25	1 458	1 542	
4 500	Province of Ontario	8.000	02-Jun-26	5 562	6 944	

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

PHILLIPS, HAGER & NORTH BALANCED FUND

June 30, 2012

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL (cont.)						
\$ 13 582	Province of Ontario	7.600	02-Jun-27	\$ 18 200	\$ 20 675	
4 624	Province of Ontario	6.500	08-Mar-29	6 200	6 541	
2 112	Province of Ontario	5.600	02-Jun-35	2 796	2 825	
718	Province of Ontario	4.700	02-Jun-37	761	864	
4 341	Province of Ontario	4.600	02-Jun-39	4 358	5 203	
5	Province of Ontario	4.650	02-Jun-41	6	6	
329	Province of Quebec	4.250	01-Dec-21	360	369	
1 770	Province of Quebec	3.500	01-Dec-22	1 856	1 863	
814	Province of Quebec	9.375	16-Jan-23	1 281	1 283	
887	Province of Quebec	8.500	01-Apr-26	1 397	1 400	
3 420	Province of Quebec	6.000	01-Oct-29	3 839	4 580	
1 100	Province of Quebec	6.250	01-Jun-32	1 318	1 530	
582	Province of Quebec	5.750	01-Dec-36	787	785	
821	Province of Quebec	5.000	01-Dec-41	1 015	1 038	
180	Province of Quebec	4.250	01-Dec-43	202	204	
955	TransLink	3.800	02-Nov-20	954	1 022	
				68 992	77 613	11.3
TOTAL CANADIAN BONDS				200 738	212 833	30.9
UNITED KINGDOM BONDS						
515	BAA Funding Ltd. CAD	4.000	03-Jul-19	512	513	
TOTAL UNITED KINGDOM BONDS				512	513	0.1
UNITED STATES BONDS						
985	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	984	1 034	
3 375	Bank of America Corp. CAD	4.810	01-Jun-16	3 383	2 919	
3 850	Bear Stearns Cos LLC CAD	4.350	20-Jul-12	3 785	3 855	
700	Goldman Sachs Group Inc. CAD	5.200	19-Apr-22	699	657	
3 475	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	3 285	3 227	
1 345	Molson Coors International LP CAD	3.950	06-Oct-17	1 369	1 398	
TOTAL UNITED STATES BONDS				13 505	13 090	1.9
TOTAL BONDS				214 755	226 436	32.9
MORTGAGE-BACKED SECURITIES						
744	Data Centres Trust	7.233	10-Sep-14	773	747	
929	Equitable Trust	4.350	01-Jan-18	961	1 028	
285	Peoples Trust	4.200	01-Oct-19	285	316	
TOTAL MORTGAGE-BACKED SECURITIES				2 019	2 091	0.3
SHORT-TERM INVESTMENTS†						
12 500	Bay Street Funding Trust - Class A			12 475	12 475	
1 000	Cenovus Energy Inc.			999	999	
5 400	Darwin Receivables Trust - Senior Notes			5 398	5 398	
3 450	Enbridge Inc.			3 447	3 447	
4 625	King Street Funding Trust			4 616	4 616	
1 950	Merit Trust - Senior Notes			1 950	1 950	
8 700	Prime Trust - Senior Notes			8 690	8 690	
TOTAL SHORT-TERM INVESTMENTS				37 575	37 575	5.4
TOTAL INVESTMENTS				\$ 694 542	686 543	99.5
OTHER NET ASSETS					3 344	0.5
NET ASSETS					\$ 689 887	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.10% to 1.19% and mature between July 3, 2012 and August 20, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 686 543	\$ 718 080
Cash	323	297
Due from investment dealers	4 090	3 559
Subscriptions receivable	225	260
Dividends receivable, interest accrued and other assets	1 833	1 984
TOTAL ASSETS	693 014	724 180
LIABILITIES		
Due to investment dealers	1 666	94
Redemptions payable	976	945
Accounts payable and accrued expenses	485	533
TOTAL LIABILITIES	3 127	1 572
NET ASSETS	\$ 689 887	\$ 722 608
Investments at cost	\$ 694 542	\$ 740 263
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 21 109	\$ 21 646
ADVISOR SERIES	\$ 1 620	\$ 1 106
SERIES B	\$ 934	\$ 1 097
SERIES D	\$ 618 586	\$ 652 188
SERIES F	\$ 8 149	\$ 7 075
SERIES O	\$ 39 489	\$ 39 496
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 16.40	\$ 16.23
ADVISOR SERIES	\$ 16.40	\$ 16.23
SERIES B	\$ 16.36	\$ 16.20
SERIES D	\$ 16.17	\$ 16.01
SERIES F	\$ 16.19	\$ 16.03
SERIES O	\$ 16.01	\$ 15.86
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT		
END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 16.40	\$ 16.24
ADVISOR SERIES	\$ 16.40	\$ 16.24
SERIES B	\$ 16.37	\$ 16.20
SERIES D	\$ 16.18	\$ 16.02
SERIES F	\$ 16.19	\$ 16.03
SERIES O	\$ 16.02	\$ 15.86

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ —	\$ 2 968
Interest	5 665	6 640
TOTAL INCOME (LOSS)	5 665	9 608
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 635	3 010
Administration fees	141	243
Board of Governors costs	2	2
GST/HST	299	351
TOTAL EXPENSES	3 077	3 606
NET INVESTMENT INCOME (LOSS)	2 588	6 002
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	(301)	9 996
Net gain (loss) on foreign currencies and other net assets	—	57
Change in unrealized gain (loss) in value of investments	14 184	(8 677)
Transaction costs	—	(175)
NET GAIN (LOSS) ON INVESTMENTS	13 883	1 201
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 16 471	\$ 7 203
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 382	\$ 9
ADVISOR SERIES	\$ —	\$ 1
SERIES B	\$ 21	\$ 9
SERIES D	\$ 14 842	\$ 6 490
SERIES F	\$ 154	\$ 74
SERIES O	\$ 1 072	\$ 620
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.29	\$ 0.05
ADVISOR SERIES	\$ 0.29	\$ 0.05
SERIES B	\$ 0.33	\$ 0.11
SERIES D	\$ 0.37	\$ 0.16
SERIES F	\$ 0.38	\$ 0.15
SERIES O	\$ 0.44	\$ 0.23

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

PHILLIPS, HAGER & NORTH BALANCED FUND

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 21 646	\$ 18 640	\$ 1 106	\$ 27	\$ 1 097	\$ 1 326	\$ 652 188	\$ 750 442
INCREASE (DECREASE) FROM OPERATIONS	382	9	–	1	21	9	14 842	6 490
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	2 453	8 670	1 189	589	–	–	15 218	25 454
Proceeds from reinvestment of distributions	115	103	9	2	9	11	7 418	8 133
Payments on redemption of units	(3 335)	(3 211)	(684)	(119)	(184)	(94)	(63 356)	(53 498)
TOTAL UNIT TRANSACTIONS	(767)	5 562	514	472	(175)	(83)	(40 720)	(19 911)
Distributions from net income	(152)	(125)	–	(3)	(9)	(11)	(7 724)	(8 488)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(152)	(125)	–	(3)	(9)	(11)	(7 724)	(8 488)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(537)	5 446	514	470	(163)	(85)	(33 602)	(21 909)
NET ASSETS – END OF PERIOD	\$ 21 109	\$ 24 086	\$ 1 620	\$ 497	\$ 934	\$ 1 241	\$ 618 586	\$ 728 533

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 7 075	\$ 7 533	\$ 39 496	\$ 46 973	\$ 722 608	\$ 824 941
INCREASE (DECREASE) FROM OPERATIONS	154	74	1 072	620	16 471	7 203
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	3 136	3 056	4 608	8 065	26 604	45 834
Proceeds from reinvestment of distributions	43	42	595	718	8 189	9 009
Payments on redemption of units	(2 158)	(3 047)	(5 612)	(4 954)	(75 329)	(64 923)
TOTAL UNIT TRANSACTIONS	1 021	51	(409)	3 829	(40 536)	(10 080)
Distributions from net income	(101)	(97)	(670)	(780)	(8 656)	(9 504)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(101)	(97)	(670)	(780)	(8 656)	(9 504)
TOTAL INCREASE (DECREASE) IN NET ASSETS	1 074	28	(7)	3 669	(32 721)	(12 381)
NET ASSETS – END OF PERIOD	\$ 8 149	\$ 7 561	\$ 39 489	\$ 50 642	\$ 689 887	\$ 812 560

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

June 30, 2012

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

Credit-exposed securities, excluding short-term investments, comprise 33.2% (December 31, 2011 – 34.7%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2012	December 31 2011
AAA	18.1	20.1
AA	45.0	48.3
A	23.0	20.1
BBB	13.9	11.5
Total debt securities	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 33.2% (December 31, 2011 – 34.7%) of the net assets 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	June 30 2012	December 31 2011
Less than 1 year	19.6	23.7
1 – 5 years	24.7	24.3
5 – 10 years	18.5	16.1
> 10 years	37.2	35.9
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.0% (December 31, 2011 – 2.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

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

Currency	June 30 2012	December 31 2011
United States dollar	15.0	15.6
Pound sterling	3.2	2.8
Euro	2.4	3.5
Japanese yen	1.6	1.6
Swiss franc	1.5	1.1
Hong Kong dollar	1.2	0.6
Norwegian krone	0.3	–
Brazilian real	0.1	–
Australian dollar	0.1	–
South African rand	0.1	–
Indian rupee	0.1	–
Singapore dollar	0.1	–
Other currencies	–	0.8
Total	25.7	26.0

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2011 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.5	+ or - 0.5
MSCI World (Developed Markets) Index, ex-Canada CAD\$	+ or - 0.6	+ 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.

PHILLIPS, HAGER & NORTH BALANCED FUND

June 30, 2012

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	420 441	–	–	420 441
Fixed-income and debt securities	–	228 527	–	228 527
Short-term investments	–	37 575	–	37 575
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	420 441	266 102	–	686 543
% of total portfolio	61.2	38.8	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	418 859	–	–	418 859
Fixed-income and debt securities	–	250 866	–	250 866
Short-term investments	–	48 355	–	48 355
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	418 859	299 221	–	718 080
% of total portfolio	58.3	41.7	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.25%
Series D	0.75%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

	Until September 26, 2011	Effective September 26, 2011
Series C	0.10%	0.08%
Advisor Series	0.10%	0.08%
Series B	0.10%	0.08%
Series D	0.06%	0.04%
Series F	0.10%	0.08%
Series O	0.02%	0.01%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	31	31
Advisor Series	60	60
Series B	31	31
Series F	32	31
Series O	33	32
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$43. The Fund had no non-capital losses.

PHILLIPS, HAGER & NORTH BALANCED FUND

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	1 333	1 065
Issued number of units	148	491
Reinvested number of units	7	6
Redeemed number of units	(201)	(182)
Ending number of units	1 287	1 380
Advisor Series		
Opening units	68	1
Issued number of units	72	34
Reinvested number of units	1	—
Redeemed number of units	(42)	(7)
Ending number of units	99	28
Series B		
Opening units	68	76
Issued number of units	(1)	(1)
Reinvested number of units	1	1
Redeemed number of units	(11)	(5)
Ending number of units	57	71
Series D		
Opening units	40 725	43 422
Issued number of units	924	1 454
Reinvested number of units	455	467
Redeemed number of units	(3 860)	(3 060)
Ending number of units	38 244	42 283
Series F		
Opening units	441	435
Issued number of units	191	175
Reinvested number of units	3	2
Redeemed number of units	(132)	(174)
Ending number of units	503	438
Series O		
Opening units	2 491	2 745
Issued number of units	283	467
Reinvested number of units	37	42
Redeemed number of units	(345)	(286)
Ending number of units	2 466	2 968

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	—	—	175	100
Related-party brokerage commissions*	—	—	12	7
Commission arrangements†	—	—	5	3

* See note 7 in the generic notes.

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

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

June 30, 2012

Holdings / Par Value	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
392 962	Phillips, Hager & North Community Values Bond Fund*	\$ 4 203	\$ 4 415	
248 416	Phillips, Hager & North Community Values Canadian Equity Fund*	4 592	4 585	
426 878	Phillips, Hager & North Community Values Global Equity Fund*	3 804	3 462	
TOTAL MUTUAL FUND UNITS		12 599	12 462	94.1
SHORT-TERM INVESTMENTS†				
790	Bank of Montreal	790	790	
TOTAL SHORT-TERM INVESTMENTS		790	790	6.0
TOTAL INVESTMENTS		<u>\$ 13 389</u>	13 252	100.1
OTHER NET ASSETS (LIABILITIES)			(13)	(0.1)
NET ASSETS			<u>\$ 13 239</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at a rate of 1.00% and mature on July 3, 2012.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND****Statements of Net Assets (unaudited) (in \$000s except per unit amounts)**

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 13 252	\$ 13 248
Cash	1	1
Due from investment dealers	38	75
Subscriptions receivable	1	1
TOTAL ASSETS	13 292	13 325
LIABILITIES		
Redemptions payable	41	–
Accounts payable and accrued expenses	12	13
TOTAL LIABILITIES	53	13
NET ASSETS	\$ 13 239	\$ 13 312

Investments at cost	\$ 13 389	\$ 13 650
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 2 174	\$ 1 990
ADVISOR SERIES	\$ 249	\$ 204
SERIES B	\$ 134	\$ 151
SERIES D	\$ 9 991	\$ 10 140
SERIES F	\$ 425	\$ 508
SERIES O	\$ 266	\$ 319

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 12.00	\$ 11.81
ADVISOR SERIES	\$ 12.00	\$ 11.81
SERIES B	\$ 11.86	\$ 11.65
SERIES D	\$ 11.92	\$ 11.66
SERIES F	\$ 12.07	\$ 11.81
SERIES O	\$ 12.00	\$ 11.69

**NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,
END OF PERIOD (see note 3 in the generic notes)**

SERIES C	\$ 12.00	\$ 11.81
ADVISOR SERIES	\$ 12.00	\$ 11.81
SERIES B	\$ 11.86	\$ 11.65
SERIES D	\$ 11.92	\$ 11.66
SERIES F	\$ 12.07	\$ 11.81
SERIES O	\$ 12.00	\$ 11.69

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ 78	\$ 99
Interest	4	2
TOTAL INCOME (LOSS)	82	101
EXPENSES (see notes – Fund Specific Information)		
Management fees	60	61
Administration fees	4	7
Board of Governors costs	2	2
GST/HST	8	8
TOTAL EXPENSES	74	78
NET INVESTMENT INCOME (LOSS)	8	23
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	11	197
Change in unrealized gain (loss) in value of investments	265	(60)
NET GAIN (LOSS) ON INVESTMENTS	276	137
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 284	\$ 160
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 32	\$ 11
ADVISOR SERIES	\$ 3	\$ 1
SERIES B	\$ 3	\$ 2
SERIES D	\$ 224	\$ 134
SERIES F	\$ 12	\$ 3
SERIES O	\$ 10	\$ 9
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.20	\$ 0.09
ADVISOR SERIES	\$ 0.20	\$ 0.09
SERIES B	\$ 0.23	\$ 0.11
SERIES D	\$ 0.27	\$ 0.15
SERIES F	\$ 0.27	\$ 0.15
SERIES O	\$ 0.31	\$ 0.20

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**
Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 1 990	\$ 1 603	\$ 204	\$ 51	\$ 151	\$ 157	\$ 10 140	\$ 10 893
INCREASE (DECREASE) FROM OPERATIONS	32	11	3	1	3	2	224	134
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	667	646	44	162	–	–	460	1 071
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(515)	(119)	(2)	(12)	(20)	–	(833)	(972)
TOTAL UNIT TRANSACTIONS	152	527	42	150	(20)	–	(373)	99
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	184	538	45	151	(17)	2	(149)	233
NET ASSETS – END OF PERIOD	\$ 2 174	\$ 2 141	\$ 249	\$ 202	\$ 134	\$ 159	\$ 9 991	\$ 11 126

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 508	\$ 234	\$ 319	\$ 2 947	\$ 13 312	\$ 15 885
INCREASE (DECREASE) FROM OPERATIONS	12	3	10	9	284	160
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	12	5	5	29	1 188	1 913
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(107)	(20)	(68)	(2 645)	(1 545)	(3 768)
TOTAL UNIT TRANSACTIONS	(95)	(15)	(63)	(2 616)	(357)	(1 855)
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(83)	(12)	(53)	(2 607)	(73)	(1 695)
NET ASSETS – END OF PERIOD	\$ 425	\$ 222	\$ 266	\$ 340	\$ 13 239	\$ 14 190

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**

Investment Management™

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.0% (December 31, 2011 – 2.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2011 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

		June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or -	0.5	+ or - 0.5
MSCI World (Developed Markets) Index, ex-Canada CAD\$	+ or -	0.6	+ 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	12 462	–	–	12 462
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	790	–	790
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	12 462	790	–	13 252
% of total portfolio	94.0	6.0	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	12 339	–	–	12 339
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	909	–	909
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	12 339	909	–	13 248
% of total portfolio	93.1	6.9	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.35%
Series D	0.75%
Series F	0.75%

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**

Investment Management™

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	42	42
Advisor Series	83	83
Series B	43	43
Series D	43	43
Series F	43	43
Series O	43	43
Value of all units	\$ 4	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$1. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	168	125
Issued number of units	56	50
Reinvested number of units	—	—
Redeemed number of units	(43)	(9)
Ending number of units	181	166

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Advisor Series		
Opening units	17	4
Issued number of units	4	13
Reinvested number of units	—	—
Redeemed number of units	—	(1)
Ending number of units	21	16
Series B		
Opening units	13	12
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	(2)	—
Ending number of units	11	12
Series D		
Opening units	870	863
Issued number of units	38	84
Reinvested number of units	—	—
Redeemed number of units	(69)	(76)
Ending number of units	839	871
Series F		
Opening units	43	18
Issued number of units	1	1
Reinvested number of units	—	—
Redeemed number of units	(9)	(2)
Ending number of units	35	17
Series O		
Opening units	27	233
Issued number of units	1	2
Reinvested number of units	—	—
Redeemed number of units	(6)	(209)
Ending number of units	22	26

**Other revenue and capital gains (\$000s)
(see note 3 in the generic notes)**

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North Community Values Bond Fund	\$ 78	\$ 99
Total other revenue	\$ 78	\$ 99
Capital gains received from underlying funds	\$ —	\$ —

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

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

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
200 000	Astral Media Inc., Class A	\$ 7 280	\$ 9 766	
800 000	Corus Entertainment Inc., Class B	15 927	18 320	
530 000	Magna International Inc., Class A	17 782	21 258	
1 175 000	Shaw Communications Inc., Class B	23 110	22 584	
666 064	Thomson Corp.	20 655	19 263	
330 000	Tim Hortons Inc.	10 148	17 688	
		94 902	108 879	4.8
Consumer Staples				
100 000	George Weston Ltd.	7 127	5 761	
701 500	Loblaw Companies Ltd.	30 627	22 715	
550 000	Shoppers Drug Mart Corp.	21 966	22 528	
		59 720	51 004	2.2
Energy				
600 000	ARC Resources Ltd.	11 773	13 704	
500 000	Baytex Energy Corp.	17 389	21 425	
524 400	Bonavista Energy Corp.	12 643	8 343	
1 650 000	Canadian Natural Resources Ltd.	67 763	45 029	
2 310 000	Cenovus Energy Inc.	70 031	74 752	
418 994	Crescent Point Energy Corp.	18 959	15 888	
2 000 000	Enbridge Inc.	34 832	81 160	
1 109 700	EnCana Corp.	39 147	23 515	
1 400 000	Ensign Energy Services Inc.	20 723	19 558	
590 000	Gibson Energy Inc.	10 511	12 142	
1 076 078	Husky Energy Inc.	31 185	27 332	
525 000	Pembina Pipeline Corp.	15 258	13 661	
1 100 000	Pengrowth Energy Corp.	11 660	7 106	
650 000	Progress Energy Resources Corp.	8 193	13 039	
2 350 000	Suncor Energy Inc.	75 599	69 184	
1 050 000	TransCanada Corp.	39 805	44 762	
280 000	Vermilion Energy Inc.	13 718	12 788	
		499 189	503 388	22.2
Financials				
1 205 900	Bank of Montreal	64 856	67 772	
2 250 000	Bank of Nova Scotia	123 082	118 508	
1 700 000	Brookfield Asset Management Inc., Class A	40 863	57 273	
700 000	Brookfield Office Properties Inc.	11 267	12 404	
931 450	Canadian Imperial Bank of Commerce	55 546	66 692	
1 775 368	CI Financial Corp.	35 939	39 005	
1 200 000	First Capital Realty Inc.	16 688	21 972	
400 000	Granite Inc. Real Estate Investment Trust	11 572	13 808	
1 000 000	Great-West Lifeco Inc.	13 835	22 040	
266 400	Intact Financial Corp.	14 798	16 828	
54 600	Intact Financial Corp.*, Subscription Receipts	3 426	3 426	
3 200 000	Manulife Financial Corporation	61 143	35 424	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
285 000	National Bank of Canada	\$ 18 673	\$ 20 691	
1 840 000	Power Corporation of Canada	31 403	43 958	
900 546	Power Financial Corp.	15 508	22 829	
3 165 100	Royal Bank of Canada†	109 821	164 838	
(2 000)	Royal Bank of Canada†, Call @ 50.00 July 20, 2012	(670)	(494)	
900 000	Sun Life Financial Inc.	24 119	19 917	
1 821 200	Toronto-Dominion Bank	71 857	144 968	
		723 726	891 859	39.3
Industrials				
825 000	Canadian National Railway Co.	43 357	70 801	
230 000	Canadian Pacific Railway Ltd.	12 064	17 155	
575 000	Finning International Inc.	13 010	13 569	
250 000	Progressive Waste Solutions Ltd.	5 386	4 807	
425 000	Toromont Industries Ltd.	5 611	9 324	
		79 428	115 656	5.1
Information Technology				
151 900	Constellation Software Inc.	12 950	13 967	
		12 950	13 967	0.6
Materials				
120 000	Agrium Inc.	6 372	10 802	
1 250 000	Barrick Gold Corp.	60 953	47 850	
2 000 000	Canexus Corp.	12 616	15 940	
1 100 000	Goldcorp Inc.	50 473	42 097	
990 000	Potash Corporation of Saskatchewan Inc.	22 800	43 966	
1 600 000	Sherritt International Corp.	22 908	7 839	
620 000	Teck Resources Ltd., Class B	28 991	19 529	
		205 113	188 023	8.3
Telecommunication Services				
1 000 000	BCE Inc.	36 472	41 950	
850 000	Rogers Communications Inc., Class B	25 308	31 348	
707 200	TELUS Corp., Class A	37 891	42 093	
		99 671	115 391	5.1
Utilities				
1 130 000	Atco Ltd., Class I, Non-Voting	19 650	81 609	
400 000	Brookfield Infrastructure Partners LP	10 036	13 660	
500 000	Brookfield Renewable Energy Partners LP	13 125	14 155	
225 000	Canadian Utilities Ltd., Class A	11 568	14 909	
330 000	Fortis Inc.	10 851	10 646	
170 000	Fortis Inc., Subscription Receipts	5 338	5 331	
		70 568	140 310	6.2

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

STATEMENT OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)
PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

PHILLIPS, HAGER & NORTH
Investment Management™

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Other				
2 300 000	iShares S&P/TSX 60 Index Fund	\$ 38 990	\$ 38 180	
		38 990	38 180	1.6
TOTAL CANADIAN EQUITIES		1 884 257	2 166 657	95.4
SHORT-TERM INVESTMENTS†		104 970	104 970	4.6
TOTAL INVESTMENTS		<u>\$1 989 227</u>	2 271 627	100.0
OTHER NET ASSETS			601	—
NET ASSETS			<u>\$2 272 228</u>	100.0

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.16% and mature between July 3, 2012 and July 30, 2012.

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

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 2 271 627	\$ 2 307 563
Cash	381	440
Due from investment dealers	902	408
Subscriptions receivable	640	847
Dividends receivable, interest accrued and other assets	7 697	7 165
TOTAL ASSETS	2 281 247	2 316 423
LIABILITIES		
Due to investment dealers	5 338	2 122
Redemptions payable	1 878	2 024
Accounts payable and accrued expenses	1 803	1 922
TOTAL LIABILITIES	9 019	6 068
NET ASSETS	\$ 2 272 228	\$ 2 310 355

Investments at cost	\$ 1 989 227	\$ 1 993 616
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 60 340	\$ 58 457
ADVISOR SERIES	\$ 3 876	\$ 2 549
SERIES B	\$ 3 430	\$ 4 099
SERIES D	\$ 1 752 115	\$ 1 803 060
SERIES F	\$ 19 745	\$ 26 229
SERIES O	\$ 432 722	\$ 415 961

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 75.13	\$ 73.98
ADVISOR SERIES	\$ 75.13	\$ 73.98
SERIES B	\$ 75.14	\$ 73.99
SERIES D	\$ 74.43	\$ 73.30
SERIES F	\$ 74.94	\$ 73.81
SERIES O	\$ 73.14	\$ 72.01

NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,
END OF PERIOD (see note 3 in the generic notes)

SERIES C	\$ 75.24	\$ 74.09
ADVISOR SERIES	\$ 75.24	\$ 74.09
SERIES B	\$ 75.25	\$ 74.11
SERIES D	\$ 74.54	\$ 73.41
SERIES F	\$ 75.05	\$ 73.92
SERIES O	\$ 73.24	\$ 72.12

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 38 395	\$ 38 154
Interest	685	353
Other income (loss)	27	492
Foreign withholding taxes	(2)	–
TOTAL INCOME (LOSS)	39 105	38 999
EXPENSES (see notes – Fund Specific Information)		
Management fees	9 728	10 954
Administration fees	627	706
Board of Governors costs	2	2
GST/HST	1 134	1 272
TOTAL EXPENSES	11 491	12 934
NET INVESTMENT INCOME (LOSS)	27 614	26 065
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	59 260	72 015
Net gain (loss) on foreign currencies and other net assets	(17)	120
Change in unrealized gain (loss) in value of investments	(31 547)	715
Transaction costs	(452)	(503)
NET GAIN (LOSS) ON INVESTMENTS	27 244	72 347
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 54 858	\$ 98 412
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 987	\$ 1 677
ADVISOR SERIES	\$ 30	\$ 1
SERIES B	\$ 82	\$ 204
SERIES D	\$ 41 312	\$ 77 652
SERIES F	\$ 640	\$ 931
SERIES O	\$ 11 807	\$ 17 947
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 1.43	\$ 2.70
ADVISOR SERIES	\$ 1.43	\$ 2.70
SERIES B	\$ 1.53	\$ 2.80
SERIES D	\$ 1.72	\$ 3.01
SERIES F	\$ 1.81	\$ 3.12
SERIES O	\$ 2.10	\$ 3.38

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 58 457	\$ 50 808	\$ 2 549	\$ 236	\$ 4 099	\$ 5 844	\$ 1 803 060	\$ 2 055 977
INCREASE (DECREASE) FROM OPERATIONS	987	1 677	30	1	82	204	41 312	77 652
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	10 014	15 360	1 622	1 098	–	–	49 340	57 175
Proceeds from reinvestment of distributions	128	104	7	2	14	17	10 814	11 621
Payments on redemption of units	(9 110)	(6 637)	(324)	(9)	(751)	(982)	(140 530)	(163 726)
TOTAL UNIT TRANSACTIONS	1 032	8 827	1 305	1 091	(737)	(965)	(80 376)	(94 930)
Distributions from net income	(136)	(109)	(8)	(2)	(14)	(18)	(11 881)	(12 749)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(136)	(109)	(8)	(2)	(14)	(18)	(11 881)	(12 749)
TOTAL INCREASE (DECREASE) IN NET ASSETS	1 883	10 395	1 327	1 090	(669)	(779)	(50 945)	(30 027)
NET ASSETS – END OF PERIOD	\$ 60 340	\$ 61 203	\$ 3 876	\$ 1 326	\$ 3 430	\$ 5 065	\$ 1 752 115	\$ 2 025 950

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 26 229	\$ 23 595	\$ 415 961	\$ 419 182	\$ 2 310 355	\$ 2 555 642
INCREASE (DECREASE) FROM OPERATIONS	640	931	11 807	17 947	54 858	98 412
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	4 741	4 673	43 860	34 387	109 577	112 693
Proceeds from reinvestment of distributions	152	170	3 546	3 359	14 661	15 273
Payments on redemption of units	(11 854)	(5 122)	(37 223)	(35 650)	(199 792)	(212 126)
TOTAL UNIT TRANSACTIONS	(6 961)	(279)	10 183	2 096	(75 554)	(84 160)
Distributions from net income	(163)	(182)	(5 229)	(4 902)	(17 431)	(17 962)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(163)	(182)	(5 229)	(4 902)	(17 431)	(17 962)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(6 484)	470	16 761	15 141	(38 127)	(3 710)
NET ASSETS – END OF PERIOD	\$ 19 745	\$ 24 065	\$ 432 722	\$ 434 323	\$ 2 272 228	\$ 2 551 932

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

June 30, 2012

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

Any securities deemed to be illiquid are identified in the Statement of Investment Portfolio. Illiquid securities represent approximately 0.2% (December 31, 2011 – 0.0%) of the net assets of the Fund.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.8	+ or - 0.9

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	2 163 231	–	3 426	2 166 657
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	104 970	–	104 970
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 163 231	104 970	3 426	2 271 627
% of total portfolio	95.2	4.6	0.2	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	2 238 782	–	–	2 238 782
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	68 781	–	68 781
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 238 782	68 781	–	2 307 563
% of total portfolio	97.0	3.0	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

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

During the periods ended June 30, 2012 and December 31, 2011, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	June 30 2012	December 31 2011
Balance at beginning of period	–	–
Net purchases	3 426	–
Net transfers in (out)	–	–
Realized gains (losses)	–	–
Unrealized gains (losses)	–	–
Balance at end of period	3 426	–

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.50%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.06%
Series F	0.10%
Series O	0.02%

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	7	7
Advisor Series	14	14
Series B	7	7
Series F	7	7
Series O	7	7
Value of all units	\$ 3	\$ 3

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	790	647
Issued number of units	131	190
Reinvested number of units	2	1
Redeemed number of units	(120)	(82)
Ending number of units	803	756
Advisor Series		
Opening units	34	3
Issued number of units	22	13
Reinvested number of units	—	—
Redeemed number of units	(4)	—
Ending number of units	52	16
Series B		
Opening units	55	74
Issued number of units	1	1
Reinvested number of units	—	—
Redeemed number of units	(10)	(12)
Ending number of units	46	63

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

	2012	2011
Series D		
Opening units	24 600	26 430
Issued number of units	650	713
Reinvested number of units	143	143
Redeemed number of units	(1 853)	(2 035)
Ending number of units	23 540	25 251
Series F		
Opening units	355	301
Issued number of units	62	58
Reinvested number of units	2	2
Redeemed number of units	(156)	(63)
Ending number of units	263	298
Series O		
Opening units	5 777	5 489
Issued number of units	592	434
Reinvested number of units	48	42
Redeemed number of units	(500)	(454)
Ending number of units	5 917	5 511

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	452	100	503	100
Related-party brokerage commissions*	23	5	36	7
Commission arrangements†	2	—	—	—

* See note 7 in the generic notes.

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

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
112 300	Gildan Activewear Inc., Class A	\$ 2 758	\$ 3 143	
544 596	Magna International Inc., Class A	21 158	21 844	
258 500	Shaw Communications Inc., Class B	5 096	4 968	
517 688	Thomson Corp.	17 026	14 972	
		46 038	44 927	3.6
Consumer Staples				
268 400	Loblaw Companies Ltd.	11 498	8 691	
123 936	Saputo Group Inc.	2 650	5 238	
		14 148	13 929	1.1
Energy				
1 261 600	ARC Resources Ltd.	25 694	28 815	
478 400	Cameco Corp.	17 246	10 673	
1 553 700	Canadian Natural Resources Ltd.	56 938	42 400	
1 616 628	Cenovus Energy Inc.	42 541	52 314	
700 600	Enbridge Inc.	25 911	28 430	
945 928	EnCana Corp.	21 965	20 044	
668 800	Husky Energy Inc.	17 349	16 988	
1 239 357	Suncor Energy Inc.	34 061	36 487	
903 302	Talisman Energy Inc.	15 293	10 523	
71 200	Tourmaline Oil Corp.	1 624	1 910	
315 100	TransCanada Corp.	13 101	13 433	
		271 723	262 017	20.7
Financials				
1 411 031	Bank of Nova Scotia	71 404	74 320	
431 200	Brookfield Asset Management Inc., Class A	10 435	14 527	
715 900	Brookfield Office Properties Inc.	12 190	12 686	
519 688	Canadian Imperial Bank of Commerce	33 129	37 210	
314 500	CI Financial Corp.	6 289	6 910	
426 423	Great-West Lifeco Inc.	8 207	9 398	
3 182 115	Manulife Financial Corporation	55 906	35 226	
831 157	Power Corporation of Canada	20 383	19 856	
1 646 966	Royal Bank of Canada*	65 469	85 774	
1 197 515	Toronto-Dominion Bank	47 228	95 322	
		330 640	391 229	30.9
Health Care				
266 600	Valeant Pharmaceuticals International Inc.	13 518	12 152	
		13 518	12 152	1.0
Industrials				
3 355 100	Bombardier Inc., Class B	14 331	13 454	
958 600	CAE Inc.	11 468	9 442	
411 526	Canadian National Railway Co.	13 208	35 317	
571 300	SNC-Lavalin Group Inc.	27 184	21 732	
		66 191	79 945	6.3
Information Technology				
219 100	CGI Group Inc., Class A	4 558	5 344	
		4 558	5 344	0.4

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
63 500	Agnico-Eagle Mines Ltd.	\$ 2 599	\$ 2 616	
131 775	Agrium Inc.	6 656	11 862	
166 200	Alamos Gold Inc.	3 315	2 636	
1 255 500	B2Gold Corp.	3 525	3 829	
722 900	Barrick Gold Corp.	29 959	27 673	
279 500	Colossus Minerals Inc.	2 111	989	
130 150	Detour Gold Corp.	3 647	2 668	
156 200	Dundee Precious Metals Inc.	1 601	956	
757 800	Eldorado Gold Corp.	10 766	9 488	
299 500	First Quantum Minerals Ltd.	6 424	5 382	
118 700	Franco-Nevada Corp.	4 995	5 448	
610 950	Goldcorp Inc.	27 912	23 381	
442 100	IAMGOLD Corporation	7 034	5 310	
63 000	Inmet Mining Corp.	3 202	2 624	
382 800	Ivanhoe Mines Ltd.	6 712	3 713	
382 800	Ivanhoe Mines Ltd., Rights July 19, 2012	—	352	
625 100	New Gold Inc.	6 084	6 038	
484 700	North American Palladium Ltd.	3 054	998	
346 320	Osisko Mining Corp.	4 419	2 410	
820 272	Potash Corporation of Saskatchewan Inc.	17 433	36 428	
364 700	Rubicon Minerals Corp.	1 793	1 131	
803 416	Sherritt International Corp.	8 603	3 937	
328 000	Silver Wheaton Corp.	11 196	8 958	
188 000	Tahoe Resources Inc.	3 042	2 645	
445 700	Teck Resources Ltd., Class B	21 810	14 040	
835 800	Yamana Gold Inc.	12 680	13 105	
		210 572	198 617	15.7
Telecommunication Services				
850 391	Rogers Communications Inc., Class B	19 944	31 362	
249 412	TELUS Corp., Class A	9 392	14 845	
		29 336	46 207	3.7
Other				
1 241 700	iShares S&P/TSX 60 Index Fund	20 518	20 612	
		20 518	20 612	1.6
TOTAL CANADIAN EQUITIES		1 007 242	1 074 979	85.0
MUTUAL FUND UNITS				
12 675 095	Phillips, Hager & North Small Float Fund*	196 640	185 599	
		196 640	185 599	14.7
TOTAL MUTUAL FUND UNITS		196 640	185 599	14.7
SHORT-TERM INVESTMENTS†		2 890	2 890	0.2
TOTAL INVESTMENTS		\$1 206 772	1 263 468	99.9
OTHER NET ASSETS			2 005	0.1
NET ASSETS			\$1 265 473	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.16% and mature on July 3, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 1 263 468	\$ 1 359 725
Cash	20	708
Due from investment dealers	14 431	–
Subscriptions receivable	703	1 040
Dividends receivable, interest accrued and other assets	3 028	3 038
TOTAL ASSETS	1 281 650	1 364 511
LIABILITIES		
Due to investment dealers	14 426	–
Redemptions payable	1 127	933
Accounts payable and accrued expenses	624	721
TOTAL LIABILITIES	16 177	1 654
NET ASSETS	\$ 1 265 473	\$ 1 362 857
Investments at cost	\$ 1 206 772	\$ 1 295 040
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 11 654	\$ 11 568
ADVISOR SERIES	\$ 384	\$ 379
SERIES B	\$ 866	\$ 1 033
SERIES D	\$ 615 740	\$ 678 843
SERIES F	\$ 5 342	\$ 5 472
SERIES O	\$ 631 487	\$ 665 562
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 72.29	\$ 72.72
ADVISOR SERIES	\$ 72.29	\$ 72.72
SERIES B	\$ 70.72	\$ 71.05
SERIES D	\$ 70.57	\$ 70.70
SERIES F	\$ 72.02	\$ 72.07
SERIES O	\$ 70.64	\$ 70.36
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 72.39	\$ 72.83
ADVISOR SERIES	\$ 72.39	\$ 72.83
SERIES B	\$ 70.82	\$ 71.16
SERIES D	\$ 70.67	\$ 70.81
SERIES F	\$ 72.13	\$ 72.18
SERIES O	\$ 70.74	\$ 70.47

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 16 201	\$ 18 177
Interest	39	42
TOTAL INCOME (LOSS)	16 240	18 219
EXPENSES (see notes – Fund Specific Information)		
Management fees	3 448	4 557
Administration fees	271	364
Board of Governors costs	2	2
GST/HST	417	555
TOTAL EXPENSES	4 138	5 478
NET INVESTMENT INCOME (LOSS)	12 102	12 741
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	2 004	43 815
Net gain (loss) on foreign currencies and other net assets	(7)	3
Change in unrealized gain (loss) in value of investments	(7 989)	(34 295)
Transaction costs	(994)	(1 067)
NET GAIN (LOSS) ON INVESTMENT	(6 986)	8 456
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 5 116	\$ 21 197
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ (50)	\$ 2
ADVISOR SERIES	\$ (2)	\$ 1
SERIES B	\$ –	\$ 13
SERIES D	\$ 357	\$ 7 802
SERIES F	\$ 16	\$ 78
SERIES O	\$ 4 795	\$ 13 301
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ (0.20)	\$ 0.45
ADVISOR SERIES	\$ (0.20)	\$ 0.45
SERIES B	\$ (0.11)	\$ 0.57
SERIES D	\$ 0.10	\$ 0.79
SERIES F	\$ 0.19	\$ 0.91
SERIES O	\$ 0.49	\$ 1.27

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 11 568	\$ 11 362	\$ 379	\$ 9	\$ 1 033	\$ 1 505	\$ 678 843	\$ 892 528
INCREASE (DECREASE) FROM OPERATIONS	(50)	2	(2)	1	–	13	357	7 802
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	3 738	4 180	99	256	–	–	15 673	35 319
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(3 602)	(2 567)	(92)	(9)	(167)	(292)	(79 133)	(88 884)
TOTAL UNIT TRANSACTIONS	136	1 613	7	247	(167)	(292)	(63 460)	(53 565)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	86	1 615	5	248	(167)	(279)	(63 103)	(45 763)
NET ASSETS – END OF PERIOD	\$ 11 654	\$ 12 977	\$ 384	\$ 257	\$ 866	\$ 1 226	\$ 615 740	\$ 846 765

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 5 472	\$ 5 855	\$ 665 562	\$ 901 607	\$ 1 362 857	\$ 1 812 866
INCREASE (DECREASE) FROM OPERATIONS	16	78	4 795	13 301	5 116	21 197
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	1 128	1 697	55 408	61 278	76 046	102 730
Proceeds from reinvestment of distributions	–	–	–	1	–	1
Payments on redemption of units	(1 274)	(1 445)	(94 278)	(132 505)	(178 546)	(225 702)
TOTAL UNIT TRANSACTIONS	(146)	252	(38 870)	(71 226)	(102 500)	(122 971)
Distributions from net income	–	–	–	(1)	–	(1)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	(1)	–	(1)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(130)	330	(34 075)	(57 926)	(97 384)	(101 775)
NET ASSETS – END OF PERIOD	\$ 5 342	\$ 6 185	\$ 631 487	\$ 843 681	\$ 1 265 473	\$ 1 711 091

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

June 30, 2012

**Financial instrument risk and capital management
(see note 4 in the generic notes)****Other price risk (% impact on net assets)**

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

		June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or -	1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	1 074 979	—	—	1 074 979
Mutual fund units	185 599	—	—	185 599
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	2 890	—	2 890
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	1 260 578	2 890	—	1 263 468
% of total portfolio	99.8	0.2	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	1 154 678	—	—	1 154 678
Mutual fund units	202 125	—	—	202 125
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	2 922	—	2 922
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	1 356 803	2 922	—	1 359 725
% of total portfolio	99.8	0.2	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

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

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.50%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.06%
Series F	0.10%
Series O	0.02%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	7	7
Advisor Series	13	13
Series B	7	7
Series F	7	7
Value of all units	\$ 2	\$ 2

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

The capital losses as at December 31, 2011 for the Fund were \$151. The Fund had no non-capital losses

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	159	133
Issued number of units	50	47
Reinvested number of units	—	—
Redeemed number of units	(48)	(29)
Ending number of units	161	151
Advisor Series		
Opening units	5	—
Issued number of units	1	3
Reinvested number of units	—	—
Redeemed number of units	(1)	—
Ending number of units	5	3
Series B		
Opening units	15	18
Issued number of units	(1)	(1)
Reinvested number of units	—	—
Redeemed number of units	(2)	(3)
Ending number of units	12	14
Series D		
Opening units	9 602	10 597
Issued number of units	215	411
Reinvested number of units	—	—
Redeemed number of units	(1 092)	(1 026)
Ending number of units	8 725	9 982
Series F		
Opening units	76	68
Issued number of units	15	19
Reinvested number of units	—	—
Redeemed number of units	(17)	(16)
Ending number of units	74	71
Series O		
Opening units	9 459	10 750
Issued number of units	771	712
Reinvested number of units	—	—
Redeemed number of units	(1 290)	(1 532)
Ending number of units	8 940	9 930

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	994	100	1 067	100
Related-party brokerage commissions*	72	7	76	7
Commission arrangements†	14	1	17	2

* See note 7 in the generic notes.

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

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North PRiSM Balanced Fund	147	130
Phillips, Hager & North Enhanced PRiSM Long Fund	63	—
Total	210	130

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
8 600	Brookfield Residential Properties Inc.	\$ 84	\$ 95	
6 000	Cineplex Inc.	152	184	
7 800	Dollarama Inc.	211	477	
5 200	Gildan Activewear Inc., Class A	147	146	
27 300	Magna International Inc., Class A	1 171	1 095	
6 000	Quebecor Inc., Class B	217	220	
14 600	Shaw Communications Inc., Class B	292	281	
26 636	Thomson Corp.	935	770	
14 252	Tim Hortons Inc.	486	764	
		3 695	4 032	7.0
Consumer Staples				
14 000	Loblaw Companies Ltd.	534	453	
8 900	Saputo Group Inc.	237	376	
		771	829	1.4
Energy				
39 300	ARC Resources Ltd.	811	898	
13 900	Calfrac Well Services Ltd.	392	317	
22 800	Cameco Corp.	705	509	
75 600	Canadian Natural Resources Ltd.	2 879	2 063	
76 741	Cenovus Energy Inc.	2 400	2 483	
66 200	Delphi Energy Corp.	147	85	
32 200	Enbridge Inc.	1 194	1 307	
43 741	EnCana Corp.	1 222	927	
28 574	Enerflex Ltd.	310	305	
9 643	Gibson Energy Inc.	182	198	
31 200	Husky Energy Inc.	805	792	
60 721	Suncor Energy Inc.	2 012	1 788	
30 000	Surge Energy Inc.	275	221	
40 800	Talisman Energy Inc.	661	475	
22 100	Tourmaline Oil Corp.	564	593	
14 600	TransCanada Corp.	607	622	
15 200	Transglobe Energy Corporation	164	138	
32 800	Trinidad Drilling Ltd.	208	189	
		15 538	13 910	24.3
Financials				
2 800	Bank of Montreal	166	157	
64 879	Bank of Nova Scotia	3 297	3 417	
22 500	Brookfield Asset Management Inc., Class A	575	758	
45 385	Brookfield Office Properties Inc.	734	804	
28 737	Canadian Imperial Bank of Commerce	1 935	2 058	
17 700	CI Financial Corp.	349	389	
7 500	First Service Corp.	228	213	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
67 964	Great-West Lifeco Inc.	\$ 1 711	\$ 1 498	
6 300	Home Capital Group Inc.	298	285	
102 294	Manulife Financial Corporation	2 004	1 132	
32 179	Power Corporation of Canada	864	769	
83 705	Royal Bank of Canada*	3 859	4 359	
57 060	Toronto-Dominion Bank	3 235	4 542	
		19 255	20 381	35.6
Health Care				
13 000	Valeant Pharmaceuticals International Inc.	658	593	
		658	593	1.0
Industrials				
68 700	Bombardier Inc., Class B	340	275	
22 219	Canadian National Railway Co.	1 160	1 907	
13 200	Richelieu Hardware Ltd.	395	432	
15 900	Ritchie Bros. Auctioneers Inc.	320	341	
6 700	Stantec Inc.	183	194	
31 700	Toromont Industries Ltd.	633	695	
9 800	TransForce Inc.	172	163	
		3 203	4 007	7.0
Information Technology				
9 800	CGI Group Inc., Class A	204	239	
9 902	Open Text Corp.	435	502	
		639	741	1.3
Materials				
6 900	Agnico-Eagle Mines Ltd.	283	284	
6 440	Agrium Inc.	353	580	
85 200	B2Gold Corp.	236	260	
20 100	Canfor Corp.	202	243	
5 800	CCL Industries, Class B	185	216	
21 900	Colossus Minerals Inc.	160	78	
10 900	Detour Gold Corp.	303	223	
53 000	Eldorado Gold Corp.	768	664	
14 000	First Quantum Minerals Ltd.	297	252	
8 600	Franco-Nevada Corp.	355	395	
23 700	IAMGOLD Corporation	457	285	
30 600	Major Drilling Group International Inc.	402	360	
55 500	North American Palladium Ltd.	294	114	
38 500	Osisko Mining Corp.	466	268	
37 900	Potash Corporation of Saskatchewan Inc.	1 908	1 683	
27 500	Rubicon Minerals Corp.	124	85	
9 900	Silver Wheaton Corp.	349	270	
14 200	Tahoe Resources Inc.	245	200	
21 300	Teck Resources Ltd., Class B	1 019	671	
24 700	Yamana Gold Inc.	365	387	
		8 771	7 518	13.2

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
5 900	BCE Inc.	\$ 234	\$ 248	
46 744	Rogers Communications Inc., Class B	1 447	1 724	
29 918	TELUS Corp., Class A	1 257	1 781	
		<u>2 938</u>	<u>3 753</u>	<u>6.6</u>
Other				
44 800	iShares S&P/TSX 60 Index Fund	743	744	
		<u>743</u>	<u>744</u>	<u>1.3</u>
TOTAL CANADIAN EQUITIES		56 211	56 508	98.7
SHORT-TERM INVESTMENTS†		500	500	0.9
TOTAL INVESTMENTS		<u>\$ 56 711</u>	<u>57 008</u>	<u>99.6</u>
OTHER NET ASSETS			208	0.4
NET ASSETS			<u>\$ 57 216</u>	<u>100.0</u>

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.10% and mature on July 3, 2012.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 57 008	\$ 62 222
Cash	63	22
Due from investment dealers	768	–
Subscriptions receivable	1	9
Dividends receivable, interest accrued and other assets	178	167
TOTAL ASSETS	58 018	62 420
LIABILITIES		
Due to investment dealers	757	–
Redemptions payable	22	60
Accounts payable and accrued expenses	23	25
TOTAL LIABILITIES	802	85
NET ASSETS	\$ 57 216	\$ 62 335
Investments at cost	\$ 56 711	\$ 63 101
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 852	\$ 910
ADVISOR SERIES	\$ 59	\$ 61
SERIES B	\$ 183	\$ 184
SERIES D	\$ 17 336	\$ 18 839
SERIES F	\$ 403	\$ 326
SERIES O	\$ 38 383	\$ 42 015
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 18.27	\$ 18.20
ADVISOR SERIES	\$ 18.27	\$ 18.20
SERIES B	\$ 18.24	\$ 18.16
SERIES D	\$ 18.22	\$ 18.08
SERIES F	\$ 18.48	\$ 18.31
SERIES O	\$ 18.43	\$ 18.18
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 18.30	\$ 18.23
ADVISOR SERIES	\$ 18.30	\$ 18.23
SERIES B	\$ 18.28	\$ 18.20
SERIES D	\$ 18.25	\$ 18.12
SERIES F	\$ 18.51	\$ 18.35
SERIES O	\$ 18.46	\$ 18.22

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 852	\$ 779
Interest	4	4
Other income (loss)	1	–
TOTAL INCOME (LOSS)	857	783
EXPENSES (see notes – Fund Specific Information)		
Management fees	105	125
Administration fees	28	32
Board of Governors costs	2	2
GST/HST	15	17
TOTAL EXPENSES	150	176
NET INVESTMENT INCOME (LOSS)	707	607
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	(646)	3 178
Net gain (loss) on foreign currencies and other net assets	–	1
Change in unrealized gain (loss) in value of investments	1 176	(2 140)
Transaction costs	(53)	(73)
NET GAIN (LOSS) ON INVESTMENTS	477	966
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 1 184	\$ 1 573
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 5	\$ 12
ADVISOR SERIES	\$ 2	\$ 1
SERIES B	\$ 1	\$ 4
SERIES D	\$ 176	\$ 488
SERIES F	\$ –	\$ 4
SERIES O	\$ 1 000	\$ 1 064
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.24	\$ 0.38
ADVISOR SERIES	\$ 0.24	\$ 0.38
SERIES B	\$ 0.25	\$ 0.39
SERIES D	\$ 0.31	\$ 0.46
SERIES F	\$ 0.34	\$ 0.49
SERIES O	\$ 0.41	\$ 0.57

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 910	\$ 908	\$ 61	\$ 1	\$ 184	\$ 216	\$ 18 839	\$ 21 992
INCREASE (DECREASE) FROM OPERATIONS	5	12	2	1	1	4	176	488
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	168	425	9	68	–	–	516	1 662
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(231)	(299)	(13)	–	(2)	(13)	(2 195)	(2 556)
TOTAL UNIT TRANSACTIONS	(63)	126	(4)	68	(2)	(13)	(1 679)	(894)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(58)	138	(2)	69	(1)	(9)	(1 503)	(406)
NET ASSETS – END OF PERIOD	\$ 852	\$ 1 046	\$ 59	\$ 70	\$ 183	\$ 207	\$ 17 336	\$ 21 586

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 326	\$ 273	\$ 42 015	\$ 37 228	\$ 62 335	\$ 60 618
INCREASE (DECREASE) FROM OPERATIONS	–	4	1 000	1 064	1 184	1 573
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	197	122	3 838	7 399	4 728	9 676
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(120)	(78)	(8 470)	(4 542)	(11 031)	(7 488)
TOTAL UNIT TRANSACTIONS	77	44	(4 632)	2 857	(6 303)	2 188
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	77	48	(3 632)	3 921	(5 119)	3 761
NET ASSETS – END OF PERIOD	\$ 403	\$ 321	\$ 38 383	\$ 41 149	\$ 57 216	\$ 64 379

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

June 30, 2012

**Financial instrument risk and capital management
(see note 4 in the generic notes)**
Other price risk (% impact on net assets)

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

		June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or -	1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	56 508	—	—	56 508
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	500	—	500
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	56 508	500	—	57 008
% of total portfolio	99.1	0.9	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	61 822	—	—	61 822
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	400	—	400
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	61 822	400	—	62 222
% of total portfolio	99.4	0.6	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.60%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	27	27
Advisor Series	52	52
Series B	27	27
Series D	27	27
Series F	27	27
Series O	27	27
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$5. The Fund had no non-capital losses.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

Investment Management™

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	50	44
Issued number of units	9	20
Reinvested number of units	—	—
Redeemed number of units	(12)	(14)
Ending number of units	47	50
Advisor Series		
Opening units	3	—
Issued number of units	1	3
Reinvested number of units	—	—
Redeemed number of units	(1)	—
Ending number of units	3	3
Series B		
Opening units	10	11
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	(1)
Ending number of units	10	10
Series D		
Opening units	1 042	1 082
Issued number of units	27	79
Reinvested number of units	—	—
Redeemed number of units	(118)	(122)
Ending number of units	951	1 039
Series F		
Opening units	18	13
Issued number of units	10	6
Reinvested number of units	—	—
Redeemed number of units	(6)	(4)
Ending number of units	22	15
Series O		
Opening units	2 311	1 822
Issued number of units	208	352
Reinvested number of units	—	—
Redeemed number of units	(436)	(215)
Ending number of units	2 083	1 959

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	53	100	73	100
Related-party brokerage commissions*	5	9	3	4
Commission arrangements†	2	4	7	10

* See note 7 in the generic notes.

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

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North Community Values		
Balanced Fund	248	233

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

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
27 611	Canadian Tire Corp. Ltd., Class A	\$ 1 854	\$ 1 898	
47 990	Linamar Corp.	957	945	
29 794	Magna International Inc., Class A	1 322	1 195	
28 301	Quebecor Inc., Class B	1 059	1 038	
108 534	Shaw Communications Inc., Class B	2 196	2 086	
72 421	Thomson Corp.	2 150	2 094	
		9 538	9 256	4.4
Consumer Staples				
20 602	Canada Bread Co. Ltd.	912	953	
34 317	Jean Coutu Group, Class A	460	515	
61 474	Loblaw Companies Ltd.	2 259	1 991	
82 808	Maple Leaf Foods Inc.	931	965	
38 071	Shoppers Drug Mart Corp.	1 532	1 559	
		6 094	5 983	2.8
Energy				
90 849	ARC Resources Ltd.	2 143	2 075	
57 129	Bonavista Energy Corp.	1 583	909	
92 976	Cameco Corp.	2 026	2 074	
220 223	Canadian Natural Resources Ltd.	7 631	6 010	
123 959	Cenovus Energy Inc.	4 213	4 011	
95 047	Enbridge Inc.	3 182	3 857	
99 777	EnCana Corp.	2 044	2 114	
81 538	Husky Energy Inc.	2 086	2 071	
48 696	Imperial Oil Ltd.	2 043	2 073	
131 771	Nexen Inc.	2 109	2 265	
177 200	Nuvista Energy Ltd.	562	633	
128 007	Progress Energy Resources Corp.	1 425	2 568	
28 186	ShawCor Ltd., Class A	848	1 039	
248 674	Suncor Energy Inc.	7 922	7 321	
281 140	Talisman Energy Inc.	2 944	3 275	
20 655	Tourmaline Oil Corp.	505	554	
124 631	TransCanada Corp.	5 159	5 313	
35 645	Trilogy Energy Corp.	1 026	838	
		49 451	49 000	23.2
Financials				
94 275	Bank of Montreal	5 486	5 298	
190 553	Bank of Nova Scotia	10 028	10 036	
134 903	Brookfield Asset Management Inc., Class A	3 968	4 545	
76 169	Canaccord Capital Inc.	723	417	
68 641	Canadian Imperial Bank of Commerce	5 067	4 915	
110 279	Chartwell Seniors Housing Real Estate Investment Trust	965	1 065	
95 927	CI Financial Corp.	2 070	2 108	
44 924	Dundee Bancorp Inc., Class A	1 018	1 012	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
54 127	Extencicare Real Estate Investment Trust	\$ 380	\$ 390	
2 331	Fairfax Financial Holdings Ltd.	903	930	
16 943	Intact Financial Corp.	975	1 070	
305 451	Manulife Financial Corporation	3 986	3 381	
14 164	National Bank of Canada	1 016	1 028	
25 201	Onex Corporation	827	992	
131 803	Power Corporation of Canada	3 105	3 149	
217 106	Royal Bank of Canada*	11 370	11 307	
76 729	Sun Life Financial Inc.	1 745	1 698	
137 884	Toronto-Dominion Bank	10 546	10 976	
		64 178	64 317	30.5
Industrials				
380 620	Bombardier Inc., Class B	1 492	1 526	
73 833	Canadian National Railway Co.	5 582	6 336	
42 022	Canadian Pacific Railway Ltd.	3 005	3 134	
41 284	Finning International Inc.	923	974	
53 895	Progressive Waste Solutions Ltd.	1 000	1 036	
18 552	Russel Metals Inc.	420	464	
66 246	WestJet Airlines Ltd.	956	1 057	
		13 378	14 527	6.9
Information Technology				
125 509	Celestica Inc.	954	926	
61 096	CGI Group Inc., Class A	1 243	1 490	
15 901	Open Text Corp.	919	806	
46 784	Research In Motion Ltd.	1 084	351	
		4 200	3 573	1.7
Materials				
27 124	Agnico-Eagle Mines Ltd.	1 034	1 117	
21 214	Agrium Inc.	1 681	1 910	
148 642	Barrick Gold Corp.	6 689	5 690	
59 287	Eldorado Gold Corp.	833	742	
52 804	First Quantum Minerals Ltd.	1 122	949	
150 345	Goldcorp Inc.	6 772	5 754	
81 528	Harry Winston Diamond Corp.	994	942	
78 765	IAMGOLD Corporation	1 212	946	
19 622	Inmet Mining Corp.	1 008	817	
66 953	Lundin Mining Corp.	423	283	
14 419	Methanex Corp.	360	407	
159 989	Potash Corporation of Saskatchewan Inc.	7 418	7 105	
120 372	Teck Resources Ltd., Class B	4 570	3 792	
21 775	West Fraser Timber Co. Ltd.	933	1 118	
125 205	Yamana Gold Inc.	1 848	1 963	
		36 897	33 535	15.9
Telecommunication Services				
90 752	Rogers Communications Inc., Class B	3 373	3 348	
56 490	TELUS Corp., Class A	3 010	3 363	
		6 383	6 711	3.2

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

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

PHILLIPS, HAGER & NORTH
Investment Management™

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
151 222	Algonquin Power & Utilities Corp.	\$ 934	\$ 995	
26 993	Atco Ltd., Class I, Non-Voting	1 600	1 949	
		2 534	2 944	1.4
Other				
372 790	iShares S&P/TSX 60 Index Fund	6 200	6 188	
		6 200	6 188	3.0
TOTAL CANADIAN EQUITIES		198 853	196 034	93.0
SHORT-TERM INVESTMENTS†				
1 550	Bank of Nova Scotia	1 548	1 548	
2 160	Canadian Imperial Bank of Commerce	2 158	2 158	
13 700	National Bank of Canada	13 688	13 688	
2 320	Toronto-Dominion Bank	2 318	2 318	
TOTAL SHORT-TERM INVESTMENTS		19 712	19 712	9.3
TOTAL INVESTMENTS		\$ 218 565	215 746	102.3
OTHER NET ASSETS (LIABILITIES)			(4 922)	(2.3)
NET ASSETS			\$ 210 824	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.11% to 1.16% and mature between July 3, 2012 and July 30, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 215 746	\$ 143 392
Cash	30	23
Due from investment dealers	3 269	280
Subscriptions receivable	4 247	952
Dividends receivable, interest accrued and other assets	539	299
TOTAL ASSETS	223 831	144 946
LIABILITIES		
Due to investment dealers	12 718	927
Redemptions payable	209	68
Accounts payable and accrued expenses	80	62
TOTAL LIABILITIES	13 007	1 057
NET ASSETS	\$ 210 824	\$ 143 889

Investments at cost	\$ 218 565	\$ 146 515
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 9 374	\$ 8 975
ADVISOR SERIES	\$ 1 181	\$ 965
SERIES D	\$ 40 000	\$ 27 592
SERIES F	\$ 25 145	\$ 19 228
SERIES O	\$ 135 124	\$ 87 129

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 10.66	\$ 10.45
ADVISOR SERIES	\$ 10.66	\$ 10.45
SERIES D	\$ 10.79	\$ 10.54
SERIES F	\$ 10.84	\$ 10.57
SERIES O	\$ 10.86	\$ 10.54

NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,

END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 10.67	\$ 10.46
ADVISOR SERIES	\$ 10.67	\$ 10.46
SERIES D	\$ 10.81	\$ 10.56
SERIES F	\$ 10.86	\$ 10.59
SERIES O	\$ 10.87	\$ 10.56

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 2 300	\$ 680
Interest	86	27
Other income (loss)	54	14
TOTAL INCOME (LOSS)	2 440	721
EXPENSES (see notes – Fund Specific Information)		
Management fees	341	192
Administration fees	55	24
Board of Governors costs	2	2
GST/HST	45	23
TOTAL EXPENSES	443	241
NET INVESTMENT INCOME (LOSS)	1 997	480
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	1 871	2 317
Net gain (loss) on foreign currencies and other net assets	(1)	2
Change in unrealized gain (loss) in value of investments	304	(1 395)
Transaction costs	(362)	(121)
NET GAIN (LOSS) ON INVESTMENTS	1 812	803
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 3 809	\$ 1 283
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 183	\$ 127
ADVISOR SERIES	\$ 12	\$ –
SERIES D	\$ 640	\$ 58
SERIES F	\$ 453	\$ 138
SERIES O	\$ 2 521	\$ 960
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.16	\$ 0.17
ADVISOR SERIES	\$ 0.16	\$ 0.17
SERIES D	\$ 0.20	\$ 0.20
SERIES F	\$ 0.21	\$ 0.23
SERIES O	\$ 0.26	\$ 0.28

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 8 975	\$ 7 191	\$ 965	\$ 1 005	\$ 27 592	\$ 4 785	\$ 19 228	\$ 9 239
INCREASE (DECREASE) FROM OPERATIONS	183	127	12	–	640	58	453	138
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	1 008	2 328	265	2 424	16 382	9 311	9 222	10 442
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(792)	(465)	(61)	(2 259)	(4 614)	(1 450)	(3 758)	(3 805)
TOTAL UNIT TRANSACTIONS	216	1 863	204	165	11 768	7 861	5 464	6 637
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	399	1 990	216	165	12 408	7 919	5 917	6 775
NET ASSETS – END OF PERIOD	\$ 9 374	\$ 9 181	\$ 1 181	\$ 1 170	\$ 40 000	\$ 12 704	\$ 25 145	\$ 16 014

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 87 129	\$ 19 430	\$ 143 889	\$ 41 650
INCREASE (DECREASE) FROM OPERATIONS	2 521	960	3 809	1 283
Early redemption fees	–	–	–	–
Proceeds from units issued	51 942	17 249	78 819	41 754
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(6 468)	(2 721)	(15 693)	(10 700)
TOTAL UNIT TRANSACTIONS	45 474	14 528	63 126	31 054
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	47 995	15 488	66 935	32 337
NET ASSETS – END OF PERIOD	\$ 135 124	\$ 34 918	\$ 210 824	\$ 73 987

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

June 30, 2012

**Financial instrument risk and capital management
(see note 4 in the generic notes)****Other price risk (% impact on net assets)**

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 30-month (December 31, 2011 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.9	+ or - 0.9

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	196 034	–	–	196 034
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	19 712	–	19 712
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	196 034	19 712	–	215 746
% of total portfolio	90.9	9.1	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	132 230	–	–	132 230
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 162	–	11 162
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	132 230	11 162	–	143 392
% of total portfolio	92.2	7.8	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.05%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	91	91
Advisor Series	95	95
Series D	105	105
Series F	105	105
Series O	107	107
Value of all units	\$ 5	\$ 5

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

The Fund had no capital or non-capital losses as at December 31, 2011.

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	859	637
Issued number of units	94	200
Reinvested number of units	—	—
Redeemed number of units	(73)	(40)
Ending number of units	880	797
Advisor Series		
Opening units	92	89
Issued number of units	25	206
Reinvested number of units	—	—
Redeemed number of units	(6)	(193)
Ending number of units	111	102
Series D		
Opening units	2 618	423
Issued number of units	1 509	796
Reinvested number of units	—	—
Redeemed number of units	(421)	(124)
Ending number of units	3 706	1 095
Series F		
Opening units	1 820	814
Issued number of units	844	885
Reinvested number of units	—	—
Redeemed number of units	(344)	(324)
Ending number of units	2 320	1 375
Series O		
Opening units	8 267	1 717
Issued number of units	4 760	1 505
Reinvested number of units	—	—
Redeemed number of units	(583)	(229)
Ending number of units	12 444	2 993

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	362	100	121	100
Related-party brokerage commissions*	18	5	5	4
Commission arrangements†	17	5	11	9

* See note 7 in the generic notes.

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

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North LifeTime 2015 Fund	7	3
Phillips, Hager & North LifeTime 2020 Fund	13	7
Phillips, Hager & North LifeTime 2025 Fund	18	9
Phillips, Hager & North LifeTime 2030 Fund	11	7
Phillips, Hager & North LifeTime 2035 Fund	17	7
Phillips, Hager & North LifeTime 2040 Fund	16	12
Phillips, Hager & North LifeTime 2045 Fund	10	7
RBC Select Aggressive Growth Portfolio	—	1
Total	92	53

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
113 359	Brookfield Residential Properties Inc.	\$ 1 019	\$ 1 247	
69 854	Cineplex Inc.	1 802	2 139	
89 844	Corus Entertainment Inc., Class B	1 818	2 057	
92 411	Dollarama Inc.	3 236	5 651	
70 500	Gildan Activewear Inc., Class A	1 709	1 973	
307 529	Linamar Corp.	5 513	6 059	
290 530	Magna International Inc., Class A	11 613	11 654	
71 600	Quebecor Inc., Class B	2 604	2 627	
148 560	Shaw Communications Inc., Class B	3 051	2 856	
276 750	Thomson Corp.	8 914	8 005	
		41 279	44 268	6.5
Consumer Staples				
147 510	Loblaw Companies Ltd.	5 719	4 776	
215 600	Maple Leaf Foods Inc.	2 514	2 512	
68 090	Saputo Group Inc.	2 967	2 877	
		11 200	10 165	1.5
Energy				
682 260	ARC Resources Ltd.	14 071	15 583	
168 328	Calfrac Well Services Ltd.	4 591	3 835	
266 880	Cameco Corp.	6 106	5 954	
851 830	Canadian Natural Resources Ltd.	30 207	23 246	
865 293	Cenovus Energy Inc.	28 713	28 001	
944 824	Delphi Energy Corp.	1 926	1 209	
378 400	Enbridge Inc.	14 133	15 355	
525 338	EnCana Corp.	13 694	11 132	
382 359	Enerflex Ltd.	4 395	4 084	
120 982	Gibson Energy Inc.	2 301	2 490	
376 700	Husky Energy Inc.	9 386	9 568	
680 225	Suncor Energy Inc.	22 934	20 026	
355 700	Surge Energy Inc.	3 224	2 618	
505 020	Talisman Energy Inc.	7 585	5 883	
329 316	Tourmaline Oil Corp.	8 692	8 836	
172 300	TransCanada Corp.	7 174	7 345	
183 000	Transglobe Energy Corporation	1 959	1 658	
395 200	Trinidad Drilling Ltd.	2 488	2 280	
		183 579	169 103	24.7
Financials				
763 105	Bank of Nova Scotia	40 461	40 193	
242 380	Brookfield Asset Management Inc., Class A	7 279	8 166	
388 100	Brookfield Office Properties Inc.	6 614	6 877	
286 020	Canadian Imperial Bank of Commerce	21 804	20 479	
183 800	CI Financial Corp.	4 076	4 038	
87 753	First Service Corp.	2 603	2 497	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
246 740	Great-West Lifeco Inc.	\$ 5 782	\$ 5 438	
77 732	Home Capital Group Inc.	3 971	3 510	
1 741 445	Manulife Financial Corporation	24 355	19 278	
453 150	Power Corporation of Canada	11 072	10 826	
890 225	Royal Bank of Canada*	47 916	46 363	
644 755	Toronto-Dominion Bank	50 922	51 322	
		226 855	218 987	31.9
Health Care				
150 960	Valeant Pharmaceuticals International Inc.	6 841	6 881	
		6 841	6 881	1.0
Industrials				
1 881 230	Bombardier Inc., Class B	8 156	7 544	
527 340	CAE Inc.	5 913	5 194	
226 235	Canadian National Railway Co.	16 236	19 415	
180 477	Richelieu Hardware Ltd.	5 106	5 912	
202 500	Ritchie Bros. Auctioneers Inc.	4 083	4 344	
310 185	SNC-Lavalin Group Inc.	14 622	11 799	
78 959	Stantec Inc.	2 119	2 284	
379 420	Toromont Industries Ltd.	6 954	8 324	
119 000	TransForce Inc.	2 090	1 984	
		65 279	66 800	9.7
Information Technology				
114 800	CGI Group Inc., Class A	2 389	2 800	
121 398	Open Text Corp.	6 491	6 152	
		8 880	8 952	1.3
Materials				
33 500	Agnico-Eagle Mines Ltd.	1 371	1 380	
72 904	Agrium Inc.	5 686	6 563	
83 700	Alamos Gold Inc.	1 670	1 327	
644 415	B2Gold Corp.	2 265	1 965	
395 235	Barrick Gold Corp.	18 197	15 130	
241 079	Canfor Corp.	2 522	2 919	
68 100	CCL Industries, Class B	2 190	2 541	
141 805	Colossus Minerals Inc.	1 020	502	
65 250	Detour Gold Corp.	1 828	1 338	
137 000	Dundee Precious Metals Inc.	1 208	838	
410 265	Eldorado Gold Corp.	6 281	5 137	
166 400	First Quantum Minerals Ltd.	3 175	2 990	
58 100	Franco-Nevada Corp.	2 447	2 667	
321 190	Goldcorp Inc.	15 562	12 292	
270 360	IAMGOLD Corporation	4 089	3 247	
35 300	Inmet Mining Corp.	1 775	1 470	
210 200	Ivanhoe Mines Ltd.	3 526	2 039	
210 200	Ivanhoe Mines Ltd., Rights July 19, 2012	—	193	
384 930	Major Drilling Group International Inc.	4 999	4 531	

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

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
332 260	New Gold Inc.	\$ 3 558	\$ 3 210	
225 270	North American Palladium Ltd.	715	464	
250 864	Osisko Mining Corp.	2 766	1 746	
444 525	Potash Corporation of Saskatchewan Inc.	21 985	19 741	
204 000	Rubicon Minerals Corp.	826	632	
465 610	Sherritt International Corp.	2 743	2 281	
184 150	Silver Wheaton Corp.	6 449	5 029	
109 165	Tahoe Resources Inc.	1 974	1 536	
241 375	Teck Resources Ltd., Class B	9 839	7 603	
438 900	Yamana Gold Inc.	6 715	6 882	
		<u>137 381</u>	<u>118 193</u>	17.2
Telecommunication Services				
456 880	Rogers Communications Inc., Class B	16 847	16 850	
139 255	TELUS Corp., Class A	7 052	8 288	
		<u>23 899</u>	<u>25 138</u>	3.7
Other				
786 100	iShares S&P/TSX 60 Index Fund	13 198	13 049	
		<u>13 198</u>	<u>13 049</u>	1.9
TOTAL CANADIAN EQUITIES		<u>718 391</u>	<u>681 536</u>	99.4
SHORT-TERM INVESTMENTS†		<u>3 967</u>	<u>3 967</u>	0.5
TOTAL INVESTMENTS		<u>\$ 722 358</u>	<u>685 503</u>	99.9
OTHER NET ASSETS			<u>467</u>	0.1
NET ASSETS			<u>\$ 685 970</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.10% and mature on July 3, 2012.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 685 503	\$ 669 547
Cash	345	269
Due from investment dealers	11 025	–
Subscriptions receivable	27	107
Dividends receivable, interest accrued and other assets	1 898	1 646
TOTAL ASSETS	698 798	671 569
LIABILITIES		
Due to investment dealers	9 156	–
Redemptions payable	3 660	1 384
Accounts payable and accrued expenses	12	12
TOTAL LIABILITIES	12 828	1 396
NET ASSETS	\$ 685 970	\$ 670 173
Investments at cost	\$ 722 358	\$ 713 112
NET ASSETS PER SERIES, END OF PERIOD		
SERIES O	\$ 685 970	\$ 670 173
NET ASSETS PER UNIT, END OF PERIOD		
SERIES O	\$ 8.89	\$ 8.85
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES O	\$ 8.91	\$ 8.87

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 9 219	\$ 1 806
Interest	26	3
Other income (loss)	16	–
TOTAL INCOME (LOSS)	9 261	1 809
EXPENSES (see notes – Fund Specific Information)		
Administration fees	66	11
Board of Governors costs	2	2
GST/HST	3	1
TOTAL EXPENSES	71	14
NET INVESTMENT INCOME (LOSS)	9 190	1 795
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	(9 352)	(1 623)
Net gain (loss) on foreign currencies and other net assets	(4)	8
Change in unrealized gain (loss) in value of investments	6 710	(8 280)
Transaction costs	(723)	(101)
NET GAIN (LOSS) ON INVESTMENTS	(3 369)	(9 996)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 5 821	\$ (8 201)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES O	\$ 5 821	\$ (8 201)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES O	\$ 0.08	\$ (0.68)

* Fund launched January 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director


Doug Coulter
Director

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

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series 0	
	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 670 173	\$ –
INCREASE (DECREASE) FROM OPERATIONS	5 821	(8 201)
Early redemption fees	–	–
Proceeds from units issued	71 407	577 060
Proceeds from reinvestment of distributions	37	–
Payments on redemption of units	(61 468)	(29 856)
TOTAL UNIT TRANSACTIONS	9 976	547 204
Distributions from net income	–	–
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	15 797	539 003
NET ASSETS – END OF PERIOD	\$ 685 970	\$ 539 003

* Fund launched January 2011.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

June 30, 2012

Financial instrument risk and capital management
(see note 4 in the generic notes)
Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	681 536	–	–	681 536
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 967	–	3 967
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	681 536	3 967	–	685 503
% of total portfolio	99.4	0.6	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	665 622	–	–	665 622
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 925	–	3 925
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	665 622	3 925	–	669 547
% of total portfolio	99.4	0.6	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Operating expenses (see note 7 in the generic notes)

Administration fees payable by Series O of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of Series O of the Fund.

	Up to May 23, 2011	Effective May 24, 2011
Series O	0.05%	0.02%

Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series O	76 209	76 209
Value of all units	\$ 679	\$ 676

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

The capital losses as at December 31, 2011 for the Fund were \$16 027. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series O		
Opening units	75 696	–
Issued number of units	8 202	56 029
Reinvested number of units	4	–
Redeemed number of units	(6 731)	(2 945)
Ending number of units	77 171	53 084

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

June 30, 2012

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	723	100	101	100
Related-party brokerage commissions*	47	7	13	13
Commission arrangements†	11	2	2	2

* See note 7 in the generic notes.

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

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

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

	June 30 2012	December 31 2011
Series 0		
Phillips, Hager & North Balanced Pension Trust	50 188	49 494
Phillips, Hager & North Balanced Fund	26 796	26 064
Phillips, Hager & North LifeTime 2015 Fund	8	4
Phillips, Hager & North LifeTime 2020 Fund	15	9
Phillips, Hager & North LifeTime 2025 Fund	21	11
Phillips, Hager & North LifeTime 2030 Fund	14	8
Phillips, Hager & North LifeTime 2035 Fund	20	8
Phillips, Hager & North LifeTime 2040 Fund	19	15
Phillips, Hager & North LifeTime 2045 Fund	12	8
Total	77 093	75 621

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

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

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
267 714	Azure Dynamics Corp.	\$ 2 560	\$ —	
602 100	Azure Dynamics Corp., Warrants @ 0.14 November 18, 2014	11	—	
22 400	Canadian Tire Corp. Ltd., Class A	1 330	1 540	
81 300	Magna International Inc., Class A	3 032	3 261	
80 000	Mood Media Corp.	300	213	
380 000	Mood Media Corp.*, Restricted September 17, 2012	1 566	1 125	
144 600	Shaw Communications Inc., Class B	2 961	2 779	
80 000	Thomson Corp.	2 738	2 314	
42 200	Tim Hortons Inc.	1 555	2 262	
993 327	Zungui Haixi Corp.	2 722	—	
		18 775	13 494	4.0
Consumer Staples				
54 500	Alliance Grain Traders Inc.	1 700	717	
439 294	GLG Life Tech Corp.	3 619	290	
65 000	GLG Life Tech Corp.*, Warrants @ 15.00 February 23, 2014	—	1	
47 300	Metro Inc., Class A	2 054	2 466	
70 900	Shoppers Drug Mart Corp.	2 920	2 903	
		10 293	6 377	1.9
Energy				
440 500	Advantage Oil & Gas Ltd.	2 959	1 322	
393 066	Arcan Resources Ltd.	1 380	550	
112 000	Athabasca Oil Corp.	1 767	1 252	
425 000	Bellatrix Exploration Ltd.	1 577	1 347	
83 500	Bonavista Energy Corp.	1 759	1 328	
88 400	Cameco Corp.	2 215	1 972	
307 900	Canadian Natural Resources Ltd.	11 044	8 403	
204 000	Cenovus Energy Inc.	4 230	6 601	
68 663	Crescent Point Energy Corp.	3 117	2 604	
220 000	Crew Energy Inc.	2 114	1 265	
156 559	Enbridge Inc.	4 379	6 353	
175 000	EnCana Corp.	3 825	3 708	
223 000	Longview Oil Corp.	2 144	1 615	
42 100	MEG Energy Corp.	1 804	1 527	
116 200	Nexen Inc.	1 949	1 997	
208 400	Painted Pony Petroleum Ltd., Class A	2 344	1 532	
70 780	Pembina Pipeline Corp.	2 059	1 842	
484 680	Raging River Exploration Inc.	1 229	863	
388 700	Suncor Energy Inc.	14 660	11 443	
229 300	Talisman Energy Inc.	4 046	2 671	
181 000	TransCanada Corp.	6 652	7 716	
335 000	Trinidad Drilling Ltd.	2 084	1 933	
42 000	Vermilion Energy Inc.	2 058	1 918	
281 500	Western Energy Services Corp.	2 179	1 607	
290 605	Whitecap Resources Inc.	2 525	1 953	
		86 099	75 322	22.1

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials				
140 600	Bank of Montreal	\$ 7 759	\$ 7 902	
287 600	Bank of Nova Scotia	14 092	15 148	
127 500	Brookfield Asset Management Inc., Class A	3 206	4 295	
85 000	Brookfield Office Properties Inc.	1 359	1 506	
102 300	Canadian Imperial Bank of Commerce	7 091	7 325	
57 065	Canadian Real Estate Investment Trust	1 641	2 315	
81 366	CI Financial Corp.	1 624	1 788	
320 000	Element Financial Corp.	1 286	1 706	
105 000	Element Financial Corp.*, Warrants, Restricted October 1, 2012	551	534	
142 500	HealthLease Properties Real Estate Investment Trust	1 425	1 435	
45 500	Intact Financial Corp.	2 194	2 874	
7 100	Intact Financial Corp.*, Subscription Receipts	446	446	
430 800	Manulife Financial Corporation	6 859	4 769	
39 000	National Bank of Canada	2 245	2 831	
261 300	Power Corporation of Canada	6 289	6 242	
326 800	Royal Bank of Canada†	13 981	17 020	
70 600	Sun Life Financial Inc.	2 016	1 562	
211 800	Toronto-Dominion Bank	11 761	16 859	
		85 825	96 557	28.4
Health Care				
16 100	SXC Health Solutions Corp.	1 462	1 625	
67 300	Valeant Pharmaceuticals International Inc.	1 972	3 068	
		3 434	4 693	1.4
Industrials				
1 035 016	Bennett Environmental Inc.	2 469	1 666	
401 700	Bombardier Inc., Class B	2 026	1 611	
107 200	Canadian National Railway Co.	6 272	9 200	
35 100	Canadian Pacific Railway Ltd.	2 022	2 618	
73 500	Finning International Inc.	1 703	1 735	
		14 492	16 830	4.9
Information Technology				
214 000	Celestica Inc.	1 847	1 579	
17 900	Constellation Software Inc.	1 566	1 646	
36 800	Open Text Corp.	1 580	1 865	
100 000	Research In Motion Ltd.	6 204	751	
		11 197	5 841	1.7

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

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

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

PHILLIPS, HAGER & NORTH
Investment Management™

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
37 200	Agnico-Eagle Mines Ltd.	\$ 1 455	\$ 1 532	
34 100	Agrium Inc.	2 071	3 070	
234 900	Aura Minerals Inc.	933	102	
220 000	AuRico Gold Inc.	1 983	1 786	
228 100	Barrick Gold Corp.	9 968	8 732	
80 100	Detour Gold Corp.	2 195	1 642	
213 300	Eldorado Gold Corp.	3 413	2 671	
145 000	First Quantum Minerals Ltd.	2 868	2 606	
204 200	Goldcorp Inc.	8 932	7 815	
155 000	HudBay Minerals Inc.	1 209	1 215	
158 000	IAMGOLD Corporation	2 713	1 898	
24 100	Inmet Mining Corp.	1 270	1 004	
680 000	Lake Shore Gold Corp.	2 446	612	
213 300	Potash Corporation of Saskatchewan Inc.	10 665	9 473	
51 700	Silver Wheaton Corp.	1 496	1 412	
186 840	Tahoe Resources Inc.	2 364	2 629	
158 000	Teck Resources Ltd., Class B	6 144	4 977	
34 000	West Fraser Timber Co. Ltd.	1 694	1 745	
225 000	Yamana Gold Inc.	3 070	3 528	
		<u>66 889</u>	<u>58 449</u>	<u>17.2</u>
Telecommunication Services				
146 300	BCE Inc.	5 008	6 137	
117 900	Rogers Communications Inc., Class B	2 956	4 348	
		<u>7 964</u>	<u>10 485</u>	<u>3.1</u>
Utilities				
273 932	Algonquin Power & Utilities Corp.	1 666	1 802	
25 000	Canadian Utilities Ltd., Class A	1 677	1 657	
		<u>3 343</u>	<u>3 459</u>	<u>1.0</u>
Other				
300 000	iShares S&P/TSX 60 Index Fund	4 867	4 980	
		<u>4 867</u>	<u>4 980</u>	<u>1.4</u>
TOTAL CANADIAN EQUITIES		<u>313 178</u>	<u>296 487</u>	<u>87.1</u>
UNITED STATES EQUITIES				
120 000	iShares Russell 2000 Index Fund	9 479	9 742	
120 000	SPDR S&P 500 ETF Trust	16 301	16 651	
TOTAL UNITED STATES EQUITIES		<u>25 780</u>	<u>26 393</u>	<u>7.8</u>
SHORT-TERM INVESTMENTS[‡]		<u>14 594</u>	<u>14 594</u>	<u>4.2</u>
TOTAL INVESTMENTS		<u>353 552</u>	<u>337 474</u>	<u>99.1</u>
UNREALIZED GAINS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	177	<u>0.1</u>
TOTAL PORTFOLIO		<u>\$ 353 552</u>	<u>337 651</u>	<u>99.2</u>
OTHER NET ASSETS			<u>2 777</u>	<u>0.8</u>
NET ASSETS			<u>\$ 340 428</u>	<u>100.0</u>

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought CAD 986 Sold USD 982 @ 1.0042	09-Jul-12	\$ (14)
Bought CAD 514 Sold USD 500 @ 1.0286	09-Jul-12	5
Bought USD 550 Sold CAD 564 @ 1.0255	09-Jul-12	(4)
Bought USD 932 Sold CAD 948 @ 1.0170	09-Jul-12	1
Bought CAD 257 Sold USD 250 @ 1.0273	12-Jul-12	2
Bought CAD 6 767 Sold USD 6 500 @ 1.0410	20-Jul-12	146
Bought CAD 6 321 Sold USD 6 150 @ 1.0278	23-Jul-12	57
Bought USD 1 430 Sold CAD 1 472 @ 1.0291	23-Jul-12	(15)
Bought CAD 949 Sold USD 932 @ 1.0180	24-Aug-12	(1)
TOTAL FOREIGN EXCHANGE		<u>\$ 177</u>

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.14% to 1.16% and mature between July 3, 2012 and July 27, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 337 474	\$ 353 557
Cash	10	27
Due from investment dealers	3 051	489
Subscriptions receivable	53	18
Unrealized gain on foreign exchange contracts	177	29
Dividends receivable, interest accrued and other assets	936	828
TOTAL ASSETS	341 701	354 948
LIABILITIES		
Due to investment dealers	1 011	331
Redemptions payable	102	1 043
Accounts payable and accrued expenses	160	182
TOTAL LIABILITIES	1 273	1 556
NET ASSETS	\$ 340 428	\$ 353 392
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 2 582	\$ 2 444
ADVISOR SERIES	\$ 13	\$ 55
SERIES D	\$ 149 020	\$ 164 442
SERIES F	\$ 466	\$ 466
SERIES O	\$ 188 347	\$ 185 985
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 25.39	\$ 26.10
ADVISOR SERIES	\$ 25.39	\$ 26.10
SERIES D	\$ 25.16	\$ 25.77
SERIES F	\$ 25.35	\$ 25.93
SERIES O	\$ 25.97	\$ 26.46
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 25.43	\$ 26.15
ADVISOR SERIES	\$ 25.43	\$ 26.15
SERIES D	\$ 25.20	\$ 25.82
SERIES F	\$ 25.39	\$ 25.98
SERIES O	\$ 26.02	\$ 26.51

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 4 228	\$ 2 738
Interest	92	44
Other income (loss)	69	47
Foreign withholding taxes	(18)	—
TOTAL INCOME (LOSS)	4 371	2 829
EXPENSES (see notes – Fund Specific Information)		
Management fees	831	1 063
Administration fees	118	145
Board of Governors costs	2	2
GST/HST	102	130
TOTAL EXPENSES	1 053	1 340
NET INVESTMENT INCOME (LOSS)	3 318	1 489
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	6 370	7 396
Net gain (loss) on foreign currencies and other net assets	45	(1)
Change in unrealized gain (loss) in value of investments	(16 181)	(7 434)
Transaction costs	(179)	(127)
NET GAIN (LOSS) ON INVESTMENTS	(9 945)	(166)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
	\$ (6 627)	\$ 1 323
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ (83)	\$ (45)
ADVISOR SERIES	\$ —	\$ (1)
SERIES D	\$ (3 288)	\$ 109
SERIES F	\$ (10)	\$ 1
SERIES O	\$ (3 246)	\$ 1 259
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ (0.67)	\$ (0.10)
ADVISOR SERIES	\$ (0.67)	\$ (0.10)
SERIES D	\$ (0.57)	\$ 0.03
SERIES F	\$ (0.53)	\$ 0.07
SERIES O	\$ (0.43)	\$ 0.19

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 2 444	\$ 2 152	\$ 55	\$ 1	\$ 164 442	\$ 206 811	\$ 466	\$ 221
INCREASE (DECREASE) FROM OPERATIONS	(83)	(45)	–	(1)	(3 288)	109	(10)	1
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	779	1 642	28	229	3 627	9 033	211	294
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(558)	(646)	(70)	(42)	(15 761)	(17 919)	(201)	(75)
TOTAL UNIT TRANSACTIONS	221	996	(42)	187	(12 134)	(8 886)	10	219
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	138	951	(42)	186	(15 422)	(8 777)	–	220
NET ASSETS – END OF PERIOD	\$ 2 582	\$ 3 103	\$ 13	\$ 187	\$ 149 020	\$ 198 034	\$ 466	\$ 441

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 185 985	\$ 193 050	\$ 353 392	\$ 402 235
INCREASE (DECREASE) FROM OPERATIONS	(3 246)	1 259	(6 627)	1 323
Early redemption fees	–	–	–	–
Proceeds from units issued	13 493	21 682	18 138	32 880
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(7 885)	(10 767)	(24 475)	(29 449)
TOTAL UNIT TRANSACTIONS	5 608	10 915	(6 337)	3 431
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	2 362	12 174	(12 964)	4 754
NET ASSETS – END OF PERIOD	\$ 188 347	\$ 205 224	\$ 340 428	\$ 406 989

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

June 30, 2012

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

Any securities deemed to be illiquid are identified in the Statement of Investment Portfolio. Illiquid securities represent approximately 0.7% (December 31, 2011 – 0.0%) of the net assets of the Fund.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	320 774	1 660	446	322 880
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	14 594	–	14 594
Derivatives – assets	–	177	–	177
Derivatives – liabilities	–	–	–	–
Total financial instruments	320 774	16 431	446	337 651
% of total portfolio	95.0	4.9	0.1	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	345 591	–	–	345 591
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	7 966	–	7 966
Derivatives – assets	–	29	–	29
Derivatives – liabilities	–	–	–	–
Total financial instruments	345 591	7 995	–	353 586
% of total portfolio	97.7	2.3	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

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

During the periods ended June 30, 2012 and December 31, 2011, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	June 30 2012	December 31 2011
Balance at beginning of period	–	–
Net purchases	446	–
Net transfers in (out)	–	–
Realized gains (losses)	–	–
Unrealized gains (losses)	–	–
Balance at end of period	446	–

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.04%

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	18	18
Advisor Series	36	36
Series F	19	19
Series O	19	19
Value of all units	\$ 2	\$ 2

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

The capital losses as at December 31, 2011 for the Fund were \$23 698. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	94	73
Issued number of units	29	53
Reinvested number of units	—	—
Redeemed number of units	(21)	(21)
Ending number of units	102	105

Advisor Series

Opening units	2	—
Issued number of units	2	7
Reinvested number of units	—	—
Redeemed number of units	(3)	(1)
Ending number of units	1	6

Series D

Opening units	6 381	7 082
Issued number of units	136	301
Reinvested number of units	—	—
Redeemed number of units	(593)	(599)
Ending number of units	5 924	6 784

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

	2012	2011
Series F		
Opening units	18	8
Issued number of units	7	10
Reinvested number of units	—	—
Redeemed number of units	(7)	(3)
Ending number of units	18	15

Series O

Opening units	7 030	6 440
Issued number of units	509	714
Reinvested number of units	—	—
Redeemed number of units	(288)	(345)
Ending number of units	7 251	6 809

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	179	100	127	100
Related-party brokerage commissions*	10	6	6	5
Commission arrangements [†]	3	2	2	2

* See note 7 in the generic notes.

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

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

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

	June 30 2012	December 31 2011
Series O		
RBC Select Growth Portfolio	6 117	5 856
RBC Select Aggressive Growth Portfolio	864	800
Total	6 981	6 656

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

PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
67 350	Cineplex Inc.	\$ 1 776	\$ 2 062	
51 800	Magna International Inc., Class A	2 226	2 078	
23 000	Quebecor Inc., Class B	872	843	
62 700	Shaw Communications Inc., Class B	1 277	1 205	
44 000	Thomson Corp.	1 284	1 272	
		7 435	7 460	5.2
Consumer Staples				
29 900	Loblaw Companies Ltd.	1 041	968	
		1 041	968	0.7
Energy				
189 500	ARC Resources Ltd.	3 946	4 328	
60 300	Baytex Energy Corp.	2 636	2 584	
109 600	Bonavista Energy Corp.	2 205	1 744	
23 200	Calfrac Well Services Ltd.	641	528	
66 200	Canadian Natural Resources Ltd.	2 249	1 807	
158 700	Cenovus Energy Inc.	5 431	5 136	
160 100	Enbridge Inc.	5 490	6 497	
109 600	EnCana Corp.	2 410	2 322	
20 500	Enerflex Ltd.	252	219	
84 134	Gibson Energy Inc.	1 507	1 731	
108 800	Husky Energy Inc.	2 694	2 764	
87 240	Mullen Group Ltd.	1 700	1 902	
34 300	Peyto Exploration & Development Corp.	569	659	
32 700	Tourmaline Oil Corp.	875	877	
48 800	TransCanada Corp.	2 053	2 080	
179 300	Trinidad Drilling Ltd.	1 250	1 035	
91 200	Vermilion Energy Inc.	4 131	4 165	
		40 039	40 378	28.2
Financials				
54 200	AGF Management Ltd., Class B	947	610	
154 000	Bank of Nova Scotia	8 066	8 111	
16 700	Brookfield Asset Management Inc., Class A	502	563	
32 600	Brookfield Canada Office Properties	710	894	
216 700	Brookfield Office Properties Inc.	3 629	3 840	
54 000	Canadian Imperial Bank of Commerce	3 999	3 866	
38 000	Canadian Real Estate Investment Trust	1 396	1 541	
166 300	CI Financial Corp.	3 589	3 654	
83 500	Cominar Real Estate Investment Trust	1 815	1 998	
24 900	Fiera Capital Corp.	214	201	
4 840	Genworth MI Canada Inc.	111	89	
61 600	IGM Financial Inc.	2 635	2 464	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
50 500	Intact Financial Corp.	\$ 2 998	\$ 3 190	
218 400	Manulife Financial Corporation	2 750	2 418	
176 600	Power Corporation of Canada	4 449	4 218	
175 300	Royal Bank of Canada*	9 393	9 130	
125 200	Toronto-Dominion Bank	9 617	9 966	
		56 820	56 753	39.7
Health Care				
147 900	CML HealthCare Inc.	1 501	1 414	
		1 501	1 414	1.0
Industrials				
287 000	Bombardier Inc., Class B	1 107	1 151	
48 200	Canadian National Railway Co.	3 721	4 137	
11 700	Canadian Pacific Railway Ltd.	708	873	
56 500	Ritchie Bros. Auctioneers Inc.	1 147	1 212	
45 700	SNC-Lavalin Group Inc.	2 095	1 738	
87 600	Toromont Industries Ltd.	1 810	1 922	
		10 588	11 033	7.7
Materials				
39 900	Barrick Gold Corp.	1 749	1 527	
93 600	Canexus Corp.	652	746	
32 600	Franco-Nevada Corp.	1 393	1 496	
125 900	Yamana Gold Inc.	2 064	1 974	
		5 858	5 743	4.0
Telecommunication Services				
107 700	Rogers Communications Inc., Class B	3 946	3 972	
73 800	TELUS Corp., Class A	4 141	4 393	
		8 087	8 365	5.8
Utilities				
144 400	Algonquin Power & Utilities Corp.	810	950	
40 000	Brookfield Infrastructure Partners LP	1 172	1 366	
110 300	Brookfield Renewable Energy Partners LP	2 703	3 123	
127 600	Innergex Renewable Energy Inc.	1 229	1 314	
		5 914	6 753	4.7
Other				
96 800	iShares S&P/TSX 60 Index Fund	1 605	1 607	
		1 605	1 607	1.1
TOTAL CANADIAN EQUITIES		138 888	140 474	98.1
SHORT-TERM INVESTMENTS†		2 200	2 200	1.6
TOTAL INVESTMENTS		\$ 141 088	142 674	99.7
OTHER NET ASSETS			412	0.3
NET ASSETS			\$ 143 086	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.10% and mature on July 3, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 142 674	\$ 123 524
Cash	226	188
Due from investment dealers	3 230	482
Subscriptions receivable	8	4
Dividends receivable, interest accrued and other assets	615	492
TOTAL ASSETS	146 753	124 690
LIABILITIES		
Due to investment dealers	3 381	–
Redemptions payable	191	253
Accounts payable and accrued expenses	95	103
TOTAL LIABILITIES	3 667	356
NET ASSETS	\$ 143 086	\$ 124 334
Investments at cost	\$ 141 088	\$ 124 280
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 4 647	\$ 4 980
ADVISOR SERIES	\$ 527	\$ 506
SERIES B	\$ 121	\$ 118
SERIES D	\$ 84 241	\$ 87 908
SERIES F	\$ 918	\$ 938
SERIES O	\$ 52 632	\$ 29 884
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 10.96	\$ 10.71
ADVISOR SERIES	\$ 10.96	\$ 10.71
SERIES B	\$ 11.06	\$ 10.82
SERIES D	\$ 10.93	\$ 10.70
SERIES F	\$ 11.00	\$ 10.78
SERIES O	\$ 10.87	\$ 10.64
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 10.98	\$ 10.72
ADVISOR SERIES	\$ 10.98	\$ 10.72
SERIES B	\$ 11.08	\$ 10.84
SERIES D	\$ 10.95	\$ 10.72
SERIES F	\$ 11.02	\$ 10.80
SERIES O	\$ 10.90	\$ 10.66

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 2 463	\$ 2 188
Interest	23	8
Other income (loss)	160	317
TOTAL INCOME (LOSS)	2 646	2 513
EXPENSES (see notes – Fund Specific Information)		
Management fees	488	538
Administration fees	56	59
Board of Governors costs	2	2
GST/HST	60	67
TOTAL EXPENSES	606	666
NET INVESTMENT INCOME (LOSS)	2 040	1 847
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	246	12 619
Net gain (loss) on foreign currencies and other net assets	(1)	–
Change in unrealized gain (loss) in value of investments	2 342	(7 964)
Transaction costs	(374)	(484)
NET GAIN (LOSS) ON INVESTMENTS	2 213	4 171
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 4 253	\$ 6 018
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 129	\$ 160
ADVISOR SERIES	\$ 17	\$ 1
SERIES B	\$ 3	\$ 8
SERIES D	\$ 2 873	\$ 4 599
SERIES F	\$ 30	\$ 28
SERIES O	\$ 1 201	\$ 1 222
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.28	\$ 0.49
ADVISOR SERIES	\$ 0.28	\$ 0.49
SERIES B	\$ 0.31	\$ 0.51
SERIES D	\$ 0.33	\$ 0.53
SERIES F	\$ 0.34	\$ 0.56
SERIES O	\$ 0.39	\$ 0.60

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 4 980	\$ 3 533	\$ 506	\$ 45	\$ 118	\$ 158	\$ 87 908	\$ 92 549
INCREASE (DECREASE) FROM OPERATIONS	129	160	17	1	3	8	2 873	4 599
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	500	2 239	178	657	–	–	5 882	17 711
Proceeds from reinvestment of distributions	23	31	2	3	1	1	836	896
Payments on redemption of units	(958)	(707)	(173)	(51)	–	(20)	(12 303)	(15 572)
TOTAL UNIT TRANSACTIONS	(435)	1 563	7	609	1	(19)	(5 585)	3 035
Distributions from net income	(27)	(36)	(3)	(3)	(1)	(1)	(955)	(1 017)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(27)	(36)	(3)	(3)	(1)	(1)	(955)	(1 017)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(333)	1 687	21	607	3	(12)	(3 667)	6 617
NET ASSETS – END OF PERIOD	\$ 4 647	\$ 5 220	\$ 527	\$ 652	\$ 121	\$ 146	\$ 84 241	\$ 99 166

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 938	\$ 566	\$ 29 884	\$ 19 938	\$ 124 334	\$ 116 789
INCREASE (DECREASE) FROM OPERATIONS	30	28	1 201	1 222	4 253	6 018
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	56	162	25 260	7 520	31 876	22 289
Proceeds from reinvestment of distributions	6	5	584	377	1 452	1 313
Payments on redemption of units	(99)	(127)	(3 568)	(1 830)	(17 101)	(18 307)
TOTAL UNIT TRANSACTIONS	(37)	40	22 276	6 067	16 227	11 295
Distributions from net income	(13)	(8)	(729)	(452)	(1 728)	(1 517)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(13)	(8)	(729)	(452)	(1 728)	(1 517)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(20)	60	22 748	6 837	18 752	15 796
NET ASSETS – END OF PERIOD	\$ 918	\$ 626	\$ 52 632	\$ 26 775	\$ 143 086	\$ 132 585

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

June 30, 2012

**Financial instrument risk and capital management
(see note 4 in the generic notes)****Other price risk (% impact on net assets)**

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

		June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or -	0.8	+ or - 0.9
S&P/TSX Capped Income Trust Index	+ or -	0.7	+ or - 0.8

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	140 474	—	—	140 474
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	2 200	—	2 200
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	140 474	2 200	—	142 674
% of total portfolio	98.5	1.5	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	119 125	—	—	119 125
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	4 399	—	4 399
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	119 125	4 399	—	123 524
% of total portfolio	96.4	3.6	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.50%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.06%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	48	48
Advisor Series	95	95
Series B	48	48
Series F	49	48
Series O	50	50
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$60 889. The Fund had no non-capital losses.

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	465	313
Issued number of units	45	190
Reinvested number of units	2	3
Redeemed number of units	(88)	(60)
Ending number of units	424	446
Advisor Series		
Opening units	47	4
Issued number of units	16	56
Reinvested number of units	–	–
Redeemed number of units	(15)	(4)
Ending number of units	48	56
Series B		
Opening units	11	14
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	(2)
Ending number of units	11	12
Series D		
Opening units	8 218	8 239
Issued number of units	534	1 514
Reinvested number of units	76	76
Redeemed number of units	(1 121)	(1 331)
Ending number of units	7 707	8 498
Series F		
Opening units	87	50
Issued number of units	4	14
Reinvested number of units	1	–
Redeemed number of units	(9)	(11)
Ending number of units	83	53
Series O		
Opening units	2 808	1 779
Issued number of units	2 304	650
Reinvested number of units	54	32
Redeemed number of units	(326)	(157)
Ending number of units	4 840	2 304

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	374	100	484	100
Related-party brokerage commissions*	46	12	49	10
Commission arrangements†	18	5	30	6

* See note 7 in the generic notes.

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

STATEMENT OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)
PHILLIPS, HAGER & NORTH VINTAGE FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
4 900	Dollarama Inc.	\$ 138	\$ 300	
11 000	Gildan Activewear Inc., Class A	225	308	
31 000	Linamar Corp.	564	611	
25 300	Magna International Inc., Class A	947	1 015	
17 500	Quebecor Inc., Class B	634	642	
		2 508	2 876	8.8
Consumer Staples				
4 800	Loblaw Companies Ltd.	191	155	
40 100	Maple Leaf Foods Inc.	467	467	
		658	622	1.9
Energy				
17 700	ARC Resources Ltd.	351	404	
26 500	Calfrac Well Services Ltd.	703	604	
13 000	Cameco Corp.	276	290	
35 200	Canadian Natural Resources Ltd.	1 263	961	
39 800	Cenovus Energy Inc.	1 355	1 288	
299 600	Delphi Energy Corp.	607	383	
11 600	Enbridge Inc.	426	471	
23 200	EnCana Corp.	476	492	
42 700	Enerflex Ltd.	496	456	
11 000	Husky Energy Inc.	287	279	
54 500	Surge Energy Inc.	462	401	
47 100	Tourmaline Oil Corp.	1 276	1 264	
40 200	Transglobe Energy Corporation	476	364	
103 900	Trinidad Drilling Ltd.	662	600	
		9 116	8 257	25.3
Financials				
32 700	Bank of Nova Scotia	1 689	1 722	
19 600	Brookfield Asset Management Inc., Class A	530	660	
13 900	Canadian Imperial Bank of Commerce	901	995	
17 300	Home Capital Group Inc.	836	781	
67 300	Manulife Financial Corporation	1 368	745	
27 600	Power Corporation of Canada	644	659	
37 300	Royal Bank of Canada*	1 687	1 943	
25 000	Toronto-Dominion Bank	1 512	1 990	
		9 167	9 495	29.1
Health Care				
7 200	Valeant Pharmaceuticals International Inc.	362	328	
		362	328	1.0

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
218 300	Bombardier Inc., Class B	\$ 916	\$ 875	
3 600	Canadian National Railway Co.	205	309	
10 600	Richelieu Hardware Ltd.	300	347	
23 800	Ritchie Bros. Auctioneers Inc.	481	511	
29 700	SNC-Lavalin Group Inc.	1 353	1 130	
53 500	Toromont Industries Ltd.	1 013	1 174	
29 000	TransForce Inc.	509	483	
		4 777	4 829	14.8
Information Technology				
12 900	Open Text Corp.	651	654	
		651	654	2.0
Materials				
5 400	Agrium Inc.	420	486	
34 800	Canfor Corp.	344	421	
11 700	First Quantum Minerals Ltd.	243	210	
12 900	Goldcorp Inc.	585	494	
28 100	Ivanhoe Mines Ltd.	493	273	
28 100	Ivanhoe Mines Ltd., Rights July 19, 2012	—	26	
51 800	Major Drilling Group International Inc.	651	610	
19 100	Potash Corporation of Saskatchewan Inc.	772	848	
66 000	Sherritt International Corp.	540	323	
12 800	Teck Resources Ltd., Class B	567	403	
		4 615	4 094	12.5
Telecommunication Services				
12 800	Rogers Communications Inc., Class B	461	472	
		461	472	1.4
TOTAL CANADIAN EQUITIES				
		32 315	31 627	96.8
SHORT-TERM INVESTMENTS†				
		150	150	0.5
TOTAL INVESTMENTS				
		\$ 32 465	31 777	97.3
OTHER NET ASSETS				
			882	2.7
NET ASSETS				
		\$ 32 659		100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.10% and mature on July 3, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 31 777	\$ 36 491
Cash	165	217
Due from investment dealers	712	–
Subscriptions receivable	1	1
Dividends receivable, interest accrued and other assets	94	98
TOTAL ASSETS	32 749	36 807
LIABILITIES		
Due to investment dealers	25	–
Redemptions payable	29	32
Accounts payable and accrued expenses	36	41
TOTAL LIABILITIES	90	73
NET ASSETS	\$ 32 659	\$ 36 734

Investments at cost	\$ 32 465	\$ 37 033
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 258	\$ 414
ADVISOR SERIES	\$ 1	\$ 35
SERIES D	\$ 29 897	\$ 31 166
SERIES F	\$ 125	\$ 118
SERIES O	\$ 2 378	\$ 5 001

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 17.09	\$ 17.11
ADVISOR SERIES	\$ 17.09	\$ 17.11
SERIES D	\$ 17.41	\$ 17.36
SERIES F	\$ 18.06	\$ 17.98
SERIES O	\$ 18.75	\$ 18.57

NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,

END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 17.13	\$ 17.14
ADVISOR SERIES	\$ 17.13	\$ 17.14
SERIES D	\$ 17.45	\$ 17.40
SERIES F	\$ 18.10	\$ 18.01
SERIES O	\$ 18.80	\$ 18.61

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 430	\$ 577
Interest	2	1
Other income (loss)	–	7
TOTAL INCOME (LOSS)	432	585
EXPENSES (see notes – Fund Specific Information)		
Management fees	200	281
Administration fees	17	24
Board of Governors costs	2	2
GST/HST	23	33
TOTAL EXPENSES	242	340
NET INVESTMENT INCOME (LOSS)	190	245
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	214	3 231
Net gain (loss) on foreign currencies and other net assets	–	1
Change in unrealized gain (loss) in value of investments	(146)	(3 007)
Transaction costs	(52)	(96)
NET GAIN (LOSS) ON INVESTMENTS	16	129
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 206	\$ 374
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 4	\$ 2
ADVISOR SERIES	\$ 2	\$ –
SERIES D	\$ 139	\$ 279
SERIES F	\$ 1	\$ 5
SERIES O	\$ 60	\$ 88
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.03	\$ 0.06
ADVISOR SERIES	\$ 0.03	\$ 0.06
SERIES D	\$ 0.09	\$ 0.14
SERIES F	\$ 0.11	\$ 0.16
SERIES O	\$ 0.23	\$ 0.29

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 414	\$ 752	\$ 35	\$ 5	\$ 31 166	\$ 44 789	\$ 118	\$ 240
INCREASE (DECREASE) FROM OPERATIONS	4	2	2	–	139	279	1	5
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	36	36	–	3	1 783	1 231	122	140
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(196)	(151)	(36)	–	(3 191)	(5 489)	(116)	(164)
TOTAL UNIT TRANSACTIONS	(160)	(115)	(36)	3	(1 408)	(4 258)	6	(24)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(156)	(113)	(34)	3	(1 269)	(3 979)	7	(19)
NET ASSETS – END OF PERIOD	\$ 258	\$ 639	\$ 1	\$ 8	\$ 29 897	\$ 40 810	\$ 125	\$ 221

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 5 001	\$ 7 237	\$ 36 734	\$ 53 023
INCREASE (DECREASE) FROM OPERATIONS	60	88	206	374
Early redemption fees	–	–	–	–
Proceeds from units issued	176	593	2 117	2 003
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(2 859)	(1 438)	(6 398)	(7 242)
TOTAL UNIT TRANSACTIONS	(2 683)	(845)	(4 281)	(5 239)
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(2 623)	(757)	(4 075)	(4 865)
NET ASSETS – END OF PERIOD	\$ 2 378	\$ 6 480	\$ 32 659	\$ 48 158

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

June 30, 2012

**Financial instrument risk and capital management
(see note 4 in the generic notes)****Other price risk (% impact on net assets)**

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

		June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or -	1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	31 627	—	—	31 627
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	150	—	150
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	31 627	150	—	31 777
% of total portfolio	99.5	0.5	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	36 191	—	—	36 191
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	300	—	300
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	36 191	300	—	36 491
% of total portfolio	99.2	0.8	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	2.00%
Advisor Series	2.00%
Series D	1.25%
Series F	1.00%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.06%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	28	28
Advisor Series	55	55
Series F	27	27
Series O	27	27
Value of all units	\$ 2	\$ 2

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

The capital losses as at December 31, 2011 for the Fund were \$36 384. The Fund had no non-capital losses.

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	24	39
Issued number of units	2	2
Reinvested number of units	—	—
Redeemed number of units	(11)	(8)
Ending number of units	15	33
Advisor Series		
Opening units	2	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	(2)	—
Ending number of units	—	—
Series D		
Opening units	1 795	2 283
Issued number of units	99	61
Reinvested number of units	—	—
Redeemed number of units	(177)	(271)
Ending number of units	1 717	2 073
Series F		
Opening units	7	12
Issued number of units	6	7
Reinvested number of units	—	—
Redeemed number of units	(6)	(8)
Ending number of units	7	11
Series O		
Opening units	269	350
Issued number of units	10	27
Reinvested number of units	—	—
Redeemed number of units	(152)	(67)
Ending number of units	127	310

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	52	100	96	100
Related-party brokerage commissions*	2	4	6	6
Commission arrangements†	1	2	9	9

* See note 7 in the generic notes.

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

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

PHILLIPS, HAGER & NORTH U.S. DIVIDEND INCOME FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
18 130	Darden Restaurants Inc.	\$ 916	\$ 935	
28 304	Johnson Controls Inc.	918	798	
77 633	Leggett & Platt Inc.	1 818	1 669	
35 653	McGraw-Hill Companies Inc.	1 204	1 633	
		4 856	5 035	5.5
Consumer Staples				
72 494	Archer Daniels Midland Co.	2 213	2 179	
40 858	PepsiCo Inc.	2 632	2 939	
106 967	Sysco Corp.	3 841	3 244	
48 543	Wal-Mart Stores Inc.	2 975	3 445	
		11 661	11 807	12.9
Energy				
42 736	Chevron Corp.	3 318	4 588	
17 788	ConocoPhillips	1 263	1 012	
46 179	Exxon Mobil Corp.	3 062	4 024	
58 595	Noble Corp.	2 006	1 939	
8 894	Phillips 66 Company	299	301	
		9 948	11 864	12.9
Financials				
43 907	Aflac Inc.	1 764	1 903	
154 264	AllianceBernstein Holding LP	3 297	1 993	
96 358	Cincinnati Financial Corp.	3 329	3 734	
180 737	Hudson City Bancorp Inc.	1 940	1 167	
51 043	JPMorgan Chase & Co.	2 379	1 857	
97 262	New York Community Bancorp Inc.	1 285	1 241	
60 378	Wells Fargo & Company	1 957	2 055	
		15 951	13 950	15.2
Health Care				
28 871	Becton Dickinson & Co.	2 182	2 196	
63 920	Johnson & Johnson	4 268	4 397	
37 490	Medtronic Inc.	1 448	1 478	
92 755	Merck & Co. Inc.	3 149	3 942	
167 362	Pfizer Inc.	4 476	3 916	
		15 523	15 929	17.4
Industrials				
51 349	Emerson Electric Co.	2 513	2 436	
84 831	General Electric Company	2 321	1 798	
33 771	Illinois Tool Works Inc.	1 757	1 818	
22 264	United Technologies Corp.	1 534	1 712	
		8 125	7 764	8.5
Information Technology				
52 781	Cisco Systems Inc.	887	923	
109 721	Intel Corp.	2 745	2 976	
9 072	International Business Machines	1 160	1 805	
27 144	Linear Technology Corp.	908	865	
132 778	Microsoft Corp.	3 430	4 130	
		9 130	10 699	11.7

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
34 652	Cliffs Natural Resources Inc.	\$ 2 244	\$ 1 739	
52 961	Nucor Corp.	2 265	2 044	
		4 509	3 783	4.1
Telecommunication Services				
122 554	AT&T Inc.	3 668	4 448	
		3 668	4 448	4.9
Utilities				
53 235	Sempra Energy	2 740	3 731	
		2 740	3 731	4.1
TOTAL UNITED STATES EQUITIES		86 111	89 010	97.2
SHORT-TERM INVESTMENTS*		2 528	2 515	2.7
TOTAL INVESTMENTS		\$ 88 639	91 525	99.9
OTHER NET ASSETS			180	0.1
NET ASSETS			\$ 91 705	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.14% to 1.00% and mature between July 3, 2012 and July 30, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 91 525	\$ 80 146
Cash	2	2
Subscriptions receivable	102	76
Dividends receivable, interest accrued and other assets	159	190
TOTAL ASSETS	91 788	80 414
LIABILITIES		
Redemptions payable	28	67
Accounts payable and accrued expenses	55	47
TOTAL LIABILITIES	83	114
NET ASSETS	\$ 91 705	\$ 80 300

Investments at cost	\$ 88 639	\$ 81 394
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 1 969	\$ 1 280
ADVISOR SERIES	\$ 1 085	\$ 161
SERIES D	\$ 48 537	\$ 40 750
SERIES F	\$ 1 034	\$ 613
SERIES O	\$ 39 080	\$ 37 496

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 7.38	\$ 6.93
ADVISOR SERIES	\$ 7.38	\$ 6.93
SERIES D	\$ 7.37	\$ 6.89
SERIES F	\$ 7.36	\$ 6.87
SERIES O	\$ 7.41	\$ 6.89

**NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,
END OF PERIOD** (see note 3 in the generic notes)

SERIES C	\$ 7.39	\$ 6.93
ADVISOR SERIES	\$ 7.39	\$ 6.93
SERIES D	\$ 7.37	\$ 6.89
SERIES F	\$ 7.36	\$ 6.87
SERIES O	\$ 7.42	\$ 6.89

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 737	\$ 1 255
Interest	6	1
Foreign withholding taxes	(230)	(209)
TOTAL INCOME (LOSS)	1 513	1 047
EXPENSES (see notes – Fund Specific Information)		
Management fees	253	213
Administration fees	37	33
Board of Governors costs	2	2
GST/HST	31	26
TOTAL EXPENSES	323	274
NET INVESTMENT INCOME (LOSS)	1 190	773
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	691	(1 846)
Net gain (loss) on foreign currencies and other net assets	(41)	61
Change in unrealized gain (loss) in value of investments	4 134	398
Transaction costs	(25)	(16)
NET GAIN (LOSS) ON INVESTMENTS	4 759	(1 403)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 5 949	\$ (630)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 100	\$ (26)
ADVISOR SERIES	\$ 34	\$ (1)
SERIES D	\$ 3 017	\$ (428)
SERIES F	\$ 53	\$ (10)
SERIES O	\$ 2 745	\$ (165)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.45	\$ (0.10)
ADVISOR SERIES	\$ 0.45	\$ (0.10)
SERIES D	\$ 0.48	\$ (0.07)
SERIES F	\$ 0.48	\$ (0.06)
SERIES O	\$ 0.52	\$ (0.03)

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 1 280	\$ 497	\$ 161	\$ 2	\$ 40 750	\$ 41 113	\$ 613	\$ 397
INCREASE (DECREASE) FROM OPERATIONS	100	(26)	34	(1)	3 017	(428)	53	(10)
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	682	728	924	81	9 817	5 011	537	304
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(93)	(119)	(34)	(1)	(5 047)	(5 585)	(169)	(214)
TOTAL UNIT TRANSACTIONS	589	609	890	80	4 770	(574)	368	90
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	689	583	924	79	7 787	(1 002)	421	80
NET ASSETS – END OF PERIOD	\$ 1 969	\$ 1 080	\$ 1 085	\$ 81	\$ 48 537	\$ 40 111	\$ 1 034	\$ 477

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 37 496	\$ 34 377	\$ 80 300	\$ 76 386
INCREASE (DECREASE) FROM OPERATIONS	2 745	(165)	5 949	(630)
Early redemption fees	–	–	–	–
Proceeds from units issued	5 667	2 278	17 627	8 402
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(6 828)	(2 544)	(12 171)	(8 463)
TOTAL UNIT TRANSACTIONS	(1 161)	(266)	5 456	(61)
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	1 584	(431)	11 405	(691)
NET ASSETS – END OF PERIOD	\$ 39 080	\$ 33 946	\$ 91 705	\$ 75 695

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

June 30, 2012

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

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

Currency	June 30 2012	December 31 2011
United States dollar	99.4	98.3
Total	99.4	98.3

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2011 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P 500 Index CAD\$	+ or - 0.9	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	89 010	–	–	89 010
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 515	–	2 515
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	89 010	2 515	–	91 525
% of total portfolio	97.3	2.7	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	77 373	–	–	77 373
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 773	–	2 773
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	77 373	2 773	–	80 146
% of total portfolio	96.5	3.5	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.07%

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	77	77
Advisor Series	152	152
Series F	79	79
Series O	80	80
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$45 884. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

	2012	2011
Series C		
Opening units	185	73
Issued number of units	95	104
Reinvested number of units	—	—
Redeemed number of units	(13)	(17)
Ending number of units	267	160
Advisor Series		
Opening units	23	—
Issued number of units	129	12
Reinvested number of units	—	—
Redeemed number of units	(5)	—
Ending number of units	147	12
Series D		
Opening units	5 915	6 021
Issued number of units	1 375	728
Reinvested number of units	—	—
Redeemed number of units	(704)	(813)
Ending number of units	6 586	5 936

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

	2012	2011
Series F		
Opening units	89	58
Issued number of units	76	44
Reinvested number of units	—	—
Redeemed number of units	(24)	(31)
Ending number of units	141	71
Series O		
Opening units	5 440	5 032
Issued number of units	789	330
Reinvested number of units	—	—
Redeemed number of units	(959)	(369)
Ending number of units	5 270	4 993

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	25	100	16	100
Related-party brokerage commissions*	—	—	—	—
Commission arrangements†	10	40	6	38

* See note 7 in the generic notes.

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

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
87 600	American Eagle Outfitters	\$ 1 540	\$ 1 760	
61 507	ANN Inc.	1 608	1 597	
148 634	Ascena Retail Group Inc.	2 414	2 818	
22 070	Benihana Inc.	175	362	
25 300	Borg-Warner Automotive Inc.	2 089	1 690	
28 600	Brinker International Inc.	937	928	
464 210	Casual Male Retail Group Inc.	1 994	1 716	
146 840	CBS Corp.	3 920	4 899	
81 300	Chico's FAS Inc.	1 234	1 228	
327 100	Comcast Corp., Class A	8 336	10 643	
243 000	Dana Holding Corporation	3 400	3 167	
29 400	Dick's Sporting Goods Inc.	1 288	1 437	
118 100	Dollar Tree Inc.	4 476	6 468	
40 761	Drew Industries Inc.	922	1 154	
46 100	Foot Locker Inc.	1 208	1 435	
217 430	Ford Motor Company	2 678	2 121	
26 400	Francesca's Holdings Corp.	738	725	
67 700	Gap Inc.	1 647	1 886	
56 400	Grand Canyon Education Inc.	1 039	1 202	
115 915	Home Depot Inc.	4 431	6 252	
29 600	Ignite Restaurant Group Inc.	535	520	
102 862	Jarden Corp.	3 469	4 397	
119 200	Lennar Corp.	2 852	3 749	
75 315	Macy's Inc.	1 995	2 633	
24 800	Maidenform Brands Inc.	591	502	
65 140	Mattel Inc.	1 713	2 150	
20 700	Mohawk Industries Inc.	1 496	1 472	
136 020	Newell Rubbermaid Inc.	2 458	2 509	
26 700	Nike Inc.	2 408	2 385	
22 200	Nordstrom Inc.	1 214	1 122	
32 300	PetSmart Inc.	1 457	2 239	
38 500	Pier 1 Imports Inc.	546	644	
255 450	Pulte Corp.	2 263	2 780	
107 800	RG Barry Corp.	1 266	1 369	
16 000	Ross Stores Inc.	742	1 017	
65 800	Ryland Group Inc.	1 452	1 714	
40 640	Sally Beauty Holdings Inc.	513	1 064	
37 700	Starbucks Corp.	1 259	2 046	
47 900	Starwood Hotels & Resorts Worldwide Inc.	2 528	2 586	
83 204	Steinway Musical Instruments Inc.	1 643	2 069	
33 451	Steven Madden Ltd.	1 029	1 081	
99 435	Target Corporation	5 464	5 893	
38 720	Tenneco Automotive Inc.	1 387	1 056	
83 700	The Walt Disney Company	3 095	4 132	
98 765	TJX Companies Inc.	2 677	4 315	
41 580	True Religion Apparel Inc.	914	1 226	
46 900	TRW Automotive Holdings Corp.	1 915	1 755	
14 300	Ulta Salon, Cosmetics & Fragrance, Inc.	1 171	1 358	

Holdings	Security	Cost	Fair Value	% of Net Assets
Consumer Discretionary (cont.)				
10 700	Under Armour Inc., Class A	\$ 1 039	\$ 1 029	
102 640	Universal Electronics Inc.	2 270	1 349	
21 800	Zagg Inc.	241	238	
46 600	Zumiez Inc.	1 535	1 878	
		101 211	117 765	10.8
Consumer Staples				
144 700	Altria Group Inc.	4 792	5 091	
38 000	Church & Dwight Co. Inc.	1 841	2 146	
72 100	Clorox Company	5 349	5 318	
135 870	Coca-Cola Co.	9 743	10 815	
48 900	Colgate-Palmolive Company	4 711	5 185	
24 900	Costco Wholesale Corp.	1 930	2 408	
290 835	CVS Corp.	10 566	13 837	
28 550	Energizer Holdings Inc.	2 119	2 187	
26 600	Hain Celestial Group Inc.	1 160	1 490	
54 500	Hershey Foods Corp.	3 790	3 996	
342 480	Kraft Foods Inc., Class A	12 438	13 449	
25 600	Monster Beverage Corp.	1 273	1 855	
25 620	Nash Finch Co.	1 074	526	
48 315	PepsiCo Inc.	3 392	3 475	
114 100	Philip Morris International Inc.	7 785	10 130	
36 100	Procter & Gamble Co.	2 374	2 251	
81 200	Wal-Mart Stores Inc.	5 221	5 763	
14 200	Whole Foods Market Inc.	1 272	1 378	
		80 830	91 300	8.4
Energy				
49 225	Anadarko Petroleum Corp.	3 628	3 318	
23 200	Berry Petroleum Co., Class A	1 049	937	
12 800	C&J Energy Services Inc.	238	241	
30 300	Cabot Oil & Gas Corp.	1 104	1 215	
64 830	Cameron International	3 146	2 819	
9 500	CARBO Ceramics Inc.	941	743	
180 820	Chevron Corp.	18 089	19 413	
113 825	ConocoPhillips	6 238	6 475	
18 100	Continental Resources Inc.	1 299	1 227	
38 690	Devon Energy Corporation	2 787	2 284	
27 050	Dresser-Rand Group Inc.	1 223	1 227	
28 710	EQT Corp.	1 492	1 567	
401 415	Exxon Mobil Corp.	32 525	34 979	
5 350	Georesources Inc.	95	199	
55 200	Gulfport Energy Corp.	1 358	1 158	
128 250	Halliburton Co.	3 657	3 710	
52 400	HollyFrontier Corp.	1 633	1 891	
113 400	Key Energy Services Inc.	1 370	876	
36 500	National Oilwell Varco Inc.	2 738	2 394	
125 626	Noble Corp.	4 246	4 158	
70 620	Occidental Petroleum Corp.	6 151	6 166	
22 000	Oceaneering International Inc.	979	1 072	
25 915	Oil States International Inc.	2 018	1 747	
6 600	OYO Geospace Corp.	544	575	

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
40 900	Plains Exploration & Production Co.	\$ 1 550	\$ 1 465	
36 557	QEP Resources Inc.	1 108	1 115	
68 400	Schlumberger Ltd.	4 925	4 520	
16 400	Sunoco Inc.	635	793	
164 140	Valero Energy Corp.	3 891	4 036	
33 016	World Fuel Services Corp.	1 077	1 277	
		111 734	113 597	10.4
Financials				
100 680	ACE Ltd.	6 834	7 598	
48 670	Affiliated Managers Group Inc.	4 721	5 425	
131 375	Allstate Corp.	4 465	4 693	
43 100	American Express Company	2 529	2 554	
42 900	American Financial Group Inc.	1 659	1 714	
67 070	American International Group Inc.	2 139	2 191	
50 200	American Tower Corp. Real Estate Investment Trust	3 409	3 572	
56 315	Ameriprise Financial Inc.	2 751	2 995	
45 131	Amerisafe Inc.	914	1 157	
105 755	Apartment Investment & Management Co.	2 903	2 910	
305 649	Ares Capital Corp.	4 750	4 960	
345 795	Bank of America Corp.	2 553	2 876	
53 100	Brown & Brown Inc.	1 400	1 474	
55 170	Capital One Financial Corp.	2 823	3 070	
135 970	Citigroup Inc.	4 360	3 792	
23 300	Community Bank System Inc.	654	643	
150 705	Compass Diversified Holdings	2 232	2 139	
28 625	Digital Realty Trust Inc.	1 881	2 187	
52 350	Discover Financial Services	1 524	1 842	
14 100	Everest Re Group Ltd.	1 275	1 487	
71 800	Fidelity National Financial Inc., Class A	1 413	1 407	
268 160	Fifth Third Bancorp	3 307	3 653	
16 300	Franklin Resources Inc.	1 782	1 842	
18 500	Goldman Sachs Group Inc.	1 989	1 803	
134 600	Hartford Financial Services Inc.	2 681	2 415	
77 060	HCC Insurance Holdings Inc.	2 254	2 463	
464 258	Huntington Bancshares	2 825	3 020	
137 295	Invesco Ltd.	3 128	3 158	
200 580	JPMorgan Chase & Co.	7 541	7 296	
692 271	KKR Financial Holdings LLC	6 189	6 012	
36 580	LaSalle Hotel Properties	916	1 085	
142 425	Marsh & McLennan Companies Inc.	4 467	4 672	
79 855	MetLife Inc.	2 924	2 509	
112 880	Morgan Stanley	1 628	1 676	
62 900	Netspend Holdings Inc.	479	550	
78 400	Omega Healthcare Investors Inc. Real Estate Investment Trust	1 761	1 796	
152 410	People's United Financial Inc.	1 933	1 797	
90 420	PNC Bank Corp.	5 799	5 625	
46 920	Principal Financial Group Inc.	1 269	1 252	
19 960	ProAssurance Corp.	1 323	1 809	
37 600	Protective Life Corp.	1 074	1 126	
42 200	Realty Income Corp. Real Estate Investment Trust	1 755	1 795	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
210 200	Regions Financial Corp.	\$ 1 395	\$ 1 442	
73 520	Reinsurance Group of America Inc.	3 885	3 984	
38 200	Safeguard Scientifics Inc.	649	602	
31 080	SeaBright Holdings Inc.	255	280	
55 885	Simon Property Group Inc.	6 974	8 855	
83 770	Torchmark Corp.	3 868	4 310	
111 090	Tower Group Inc.	2 401	2 294	
205 915	U.S. Bancorp	5 368	6 740	
110 250	UnumProvident Corp.	2 402	2 147	
385 605	Wells Fargo & Company	10 736	13 124	
184 210	Weyerhaeuser Company Ltd.	3 705	4 192	
		155 851	166 010	15.2
Health Care				
158 290	Abbott Laboratories	9 410	10 386	
79 700	Alexion Pharmaceuticals Inc.	3 937	8 054	
21 300	Align Technology Inc.	708	725	
28 900	Allergan Inc.	2 462	2 723	
25 100	Biogen Idec Inc.	3 372	3 689	
208 600	BioScrip Inc.	1 367	1 455	
236 075	Bristol-Myers Squibb Co.	8 084	8 638	
23 000	Cerner Corp.	1 856	1 935	
8 500	Cooper Co. Inc.	730	690	
17 300	C.R. Bard Inc.	1 745	1 893	
17 700	Edwards Lifesciences Corp.	1 575	1 862	
77 900	Express Scripts Holding Co.	3 832	4 425	
18 400	Gilead Sciences Inc.	919	959	
86 200	Humana Inc.	7 389	6 797	
8 180	Intuitive Surgical Inc.	3 848	4 610	
44 900	Masimo Corp.	1 161	1 023	
43 310	McKesson Corp.	3 234	4 133	
100 515	Medtronic Inc.	3 909	3 962	
124 140	Merck & Co. Inc.	4 610	5 275	
19 496	Meridian Bioscience Inc.	425	402	
123 760	Mylan Laboratories Inc.	2 629	2 689	
18 600	Perrigo Company	1 695	2 233	
499 935	Pfizer Inc.	9 344	11 696	
28 010	PSS World Medical Inc.	582	597	
11 500	Regeneron Pharmaceutical	1 532	1 337	
18 400	Synageva BioPharma Corp.	679	735	
93 035	UnitedHealth Group Incorporated	3 846	5 541	
70 200	Universal Health Services Inc., Class B	2 894	3 083	
27 800	U.S. Physical Therapy Inc.	683	688	
34 200	Vertex Pharmaceuticals Inc.	1 523	1 945	
26 500	Vivus Inc.	723	768	
32 905	WellPoint Inc.	2 336	2 137	
28 446	West Pharmaceutical Services Inc.	1 027	1 462	
27 300	Zimmer Holdings Inc.	1 759	1 788	
		95 825	110 335	10.1
Industrials				
103 800	Acacia Research	3 373	3 933	
492 144	ACCO Brands Corp.	4 661	5 186	
47 385	Ametek Inc.	1 929	2 406	
32 381	Asta Funding Inc.	275	278	
40 500	Astronics Corp.	1 129	1 162	
1 110	Astronics Corp., Class B	31	30	

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials (cont.)				
38 889	Atlas Air Worldwide Holdings Inc.	\$ 1 868	\$ 1 722	
42 112	AZZ Inc.	1 828	2 627	
94 805	Boeing Co.	6 659	7 172	
68 895	Caterpillar Inc.	6 681	5 955	
12 591	Chart Industries Inc.	295	881	
63 600	Ciena Corp.	1 024	1 060	
97 465	Columbus McKinnon Corp.	1 492	1 421	
124 625	CSX Corp.	2 725	2 835	
36 890	Cummins Engine Inc.	3 918	3 639	
44 000	Ducommun Inc.	899	442	
96 500	Eaton Corp.	4 450	3 892	
38 300	EnerSys	926	1 367	
34 600	FedEx Corporation	3 318	3 226	
110 860	Fluor Corp.	6 220	5 567	
90 535	Gardner Denver Inc.	6 073	4 877	
596 790	General Electric Company	10 508	12 650	
146 090	Honeywell International Inc.	7 825	8 305	
32 040	Hubbell Inc., Class B	2 224	2 539	
60 000	II-VI Inc.	1 229	1 016	
51 636	Insteel Industries Inc.	491	549	
70 930	Interface Inc.	1 012	979	
41 975	J.B. Hunt Transport Services Inc.	1 857	2 547	
140 895	KBR Inc.	4 339	3 545	
35 138	Kirby Corp.	2 100	1 685	
53 429	Meritor Inc.	830	283	
56 970	Old Dominion Freight Line Inc.	2 173	2 513	
42 950	Owens Corning	1 341	1 248	
22 260	Precision Castparts Corp.	3 433	3 728	
48 605	Raytheon Company	2 592	2 800	
10 821	Regal-Beloit Corp.	620	686	
90 660	Republic Services Inc.	2 574	2 441	
43 390	SPX Corp.	2 837	2 885	
52 855	Sun Hydraulics Corp.	1 247	1 304	
297 459	Swift Transportation Co., Class A	2 656	2 862	
78 960	The Greenbrier Co. Inc.	1 162	1 412	
15 900	TransDigm Group Inc.	1 539	2 174	
28 100	Triumph Group Inc.	1 588	1 610	
62 600	Tyco International Ltd.	3 504	3 367	
59 497	Union Pacific Corp.	6 035	7 226	
31 700	United Rentals Inc.	778	1 098	
54 000	United Technologies Corp.	4 565	4 154	
16 500	Wabtec Corp.	836	1 310	
155 100	Werner Enterprises Inc.	3 668	3 772	
12 100	WESCO International Inc.	723	709	
		136 060	141 075	12.9
Information Technology				
33 600	Alliance Data Systems Corp.	3 703	4 619	
46 500	Analog Devices Inc.	1 770	1 781	
26 600	Ansys Inc.	1 470	1 709	
51 400	AOL Inc.	1 457	1 469	
65 500	Apple Inc.	30 020	38 943	
116 700	Arrow Electronics Inc.	4 566	3 901	
45 160	Aspen Technology Inc.	504	1 063	
27 800	Avago Technologies Ltd.	975	1 016	
86 450	Avnet Inc.	2 632	2 716	

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology (cont.)				
33 700	BMC Software Inc.	\$ 1 471	\$ 1 463	
58 885	Broadcom Corp.	2 120	2 026	
30 730	CACI International Inc.	1 536	1 721	
127 200	Cadence Design Systems Inc.	1 267	1 425	
34 480	Checkpoint Systems Inc.	669	305	
565 115	Cisco Systems Inc.	10 066	9 879	
72 000	Citrix Systems Inc.	5 364	6 152	
74 400	Computer Task Group Inc.	959	1 079	
20 600	Concur Technologies Inc.	1 369	1 428	
107 950	eBay Inc.	3 919	4 617	
242 455	EMC Corp.	6 015	6 329	
8 200	Equinix Inc.	1 367	1 466	
20 390	F5 Networks Inc.	2 394	2 067	
165 630	Fairchild Semiconductor International Inc.	2 275	2 379	
35 600	Fair Isaac & Co. Inc.	1 511	1 533	
25 500	Fiserv Inc.	1 822	1 875	
3 100	Google Inc., Class A	1 938	1 831	
175 090	Hewlett-Packard Co.	4 572	3 581	
23 100	Informatica Corp.	1 184	995	
330 425	Intel Corp.	7 180	8 962	
34 500	Interactive Intelligence Group	971	977	
49 435	InterDigital Inc.	2 006	1 483	
51 200	International Business Machines	8 983	10 189	
92 895	Jabil Circuit Inc.	2 038	1 922	
18 763	Lam Research Corp.	683	720	
3 985	MasterCard Inc.	1 275	1 745	
46 000	Maxim Integrated Products	1 161	1 200	
33 100	Measurement Specialties Inc.	977	1 096	
199 000	Micron Technology Inc.	1 656	1 278	
456 400	Microsoft Corp.	12 914	14 195	
66 000	NCR Corporation	1 492	1 528	
28 100	NetSuite Inc.	1 398	1 567	
80 318	NIC Inc.	672	1 035	
193 500	ON Semiconductor Corporation	1 718	1 399	
261 500	Oracle Corporation	7 212	7 902	
42 700	Paychex Inc.	1 411	1 364	
92 800	QUALCOMM Inc.	4 782	5 258	
16 230	Red Hat Inc.	798	933	
23 100	Sandisk Corp.	852	858	
71 900	Sapient Corp.	740	735	
4 711	Seagate Technology	89	119	
282 070	Skyworks Solutions Inc.	7 096	7 857	
38 990	STEC Inc.	546	309	
76 800	Take-Two Interactive Software Inc.	1 031	736	
19 700	Teradata Corp.	1 454	1 444	
106 000	Teradyne Inc.	1 778	1 518	
14 500	Tessco Technologies Inc.	304	314	
135 465	Texas Instruments Inc.	4 032	3 953	
134 680	The Western Union Co.	2 422	2 306	
44 360	Tyler Technologies Inc.	984	1 822	
33 300	Visa Inc., Class A	3 181	4 197	
129 130	Xyratex Ltd.	1 897	1 484	
16 000	Zebra Technologies Corp.	554	560	
		185 202	202 333	18.5

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
34 500	Air Products & Chemicals Inc.	\$ 2 758	\$ 2 835	
61 450	Allegheny Technologies Inc.	2 362	1 995	
56 562	Ashland Inc.	3 234	3 990	
18 500	Carpenter Technology	942	901	
6 290	Celanese Corp.	281	221	
5 900	CF Industries Holdings Inc.	1 075	1 164	
87 958	Crown Holdings Inc.	2 989	3 089	
61 380	Cytec Industries Inc.	3 489	3 666	
73 030	Dow Chemical Company	2 169	2 341	
67 000	Du Pont (E.I.) de Nemours and Company	3 533	3 448	
16 000	Ecolab Inc.	1 036	1 116	
104 740	FMC Corp.	5 546	5 699	
51 400	Huntsman Corp.	717	677	
182 115	International Paper Co.	5 491	5 357	
10 700	Kaiser Aluminum Corp.	543	564	
44 591	Koppers Holdings Inc.	1 247	1 544	
131 900	Louisiana-Pacific Corp.	1 325	1 461	
35 400	LyondellBasell Industries N.V.	1 551	1 451	
4 300	Martin Marietta Materials	346	345	
61 090	Nucor Corp.	2 425	2 357	
177 585	Omnova Solutions Inc.	1 261	1 363	
152 775	Owens-Illinois Inc.	3 125	2 979	
110 252	Reliance Steel & Aluminum Co.	5 395	5 669	
4 860	Rockwood Holdings Inc.	233	219	
52 120	Schweitzer-Mauduit International Inc.	3 048	3 614	
11 500	Sherwin-Williams Co.	1 063	1 549	
14 300	Sigma-Aldrich Corp.	1 057	1 076	
68 480	Universal Stainless & Alloy	2 026	2 856	
		60 267	63 546	5.8
Telecommunication Services				
145 530	AT&T Inc.	4 303	5 282	
109 040	CenturyTel Inc.	4 407	4 383	
31 600	Crown Castle International Corp.	1 848	1 887	
72 800	tw telecom inc.	1 672	1 900	
160 120	Verizon Communications Inc.	5 700	7 243	
231 358	Windstream Corp.	2 485	2 266	
		20 415	22 961	2.1
Utilities				
33 200	Alliant Energy Corp.	1 471	1 541	
246 205	Centerpoint Energy Inc.	4 901	5 179	
80 600	CMS Energy Corp.	1 780	1 927	
205 640	Edison International	8 498	9 668	
130 875	NextEra Energy Inc.	8 120	9 167	
79 300	NiSource Inc.	1 712	1 997	
151 295	Northeast Utilities	5 629	5 976	
78 100	NV Energy Inc.	1 370	1 398	
13 410	UNS Energy Corp.	451	524	
34 700	Westar Energy Inc.	1 062	1 057	
		34 994	38 434	3.5

Holdings	Security	Cost	Fair Value	% of Net Assets
Other				
30 800	iShares Russell 2000 Index Fund	\$ 2 379	\$ 2 500	
		2 379	2 500	0.2
TOTAL UNITED STATES EQUITIES		984 768	1 069 856	97.9
SHORT-TERM INVESTMENTS*		18 825	18 690	1.8
TOTAL INVESTMENTS		1 003 593	1 088 546	99.7
UNREALIZED GAINS (LOSSES) ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(2)	—
TOTAL PORTFOLIO		\$1 003 593	1 088 544	99.7
OTHER NET ASSETS			2 296	0.3
NET ASSETS			\$1 090 840	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.14% to 0.41% and mature between July 3, 2012 and August 10, 2012.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought CAD 50 Sold USD 49 @ 1.0169	03-Jul-12	\$ —
Bought CAD 50 Sold USD 49 @ 1.0169	03-Jul-12	—
Bought USD 209 Sold CAD 215 @ 1.0294	03-Jul-12	(2)
Bought USD 209 Sold CAD 215 @ 1.0294	03-Jul-12	—
TOTAL FOREIGN EXCHANGE		\$ (2)

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND****Statements of Net Assets** (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 1 088 546	\$ 872 582
Cash	9 066	7 268
Due from investment dealers	16 311	3 118
Subscriptions receivable	230	49
Unrealized gain on foreign exchange contracts	—	4
Dividends receivable, interest accrued and other assets	1 088	1 061
TOTAL ASSETS	1 115 241	884 082
LIABILITIES		
Due to investment dealers	24 279	7 273
Redemptions payable	65	1 251
Unrealized loss on foreign exchange contracts	2	—
Accounts payable and accrued expenses	55	46
TOTAL LIABILITIES	24 401	8 570
NET ASSETS	\$ 1 090 840	\$ 875 512
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 591	\$ 447
ADVISOR SERIES	\$ 351	\$ 20
SERIES D	\$ 6 310	\$ 4 128
SERIES F	\$ 84	\$ 51
SERIES O	\$ 1 083 504	\$ 870 866
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 11.89	\$ 11.15
ADVISOR SERIES	\$ 11.89	\$ 11.15
SERIES D	\$ 12.06	\$ 11.27
SERIES F	\$ 12.08	\$ 11.27
SERIES O	\$ 11.91	\$ 11.07
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 11.90	\$ 11.16
ADVISOR SERIES	\$ 11.90	\$ 11.16
SERIES D	\$ 12.07	\$ 12.28
SERIES F	\$ 12.09	\$ 11.28
SERIES O	\$ 11.93	\$ 11.08

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 8 539	\$ 6 464
Interest	22	11
Securities lending revenue (see note 6 in the generic notes)	47	31
Foreign withholding taxes	(1 266)	(946)
TOTAL INCOME (LOSS)	7 342	5 560
EXPENSES (see notes – Fund Specific Information)		
Management fees	34	16
Administration fees	247	207
Board of Governors costs	2	2
GST/HST	28	22
TOTAL EXPENSES	311	247
NET INVESTMENT INCOME (LOSS)	7 031	5 313
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	41 127	33 242
Net gain (loss) on foreign currencies and other net assets	517	(365)
Change in unrealized gain (loss) in value of investments	21 615	(19 718)
Transaction costs	(1 407)	(1 803)
NET GAIN (LOSS) ON INVESTMENTS	61 852	11 356
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 68 883	\$ 16 669
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 34	\$ 2
ADVISOR SERIES	\$ 3	\$ 1
SERIES D	\$ 303	\$ 11
SERIES F	\$ 3	\$ 1
SERIES O	\$ 68 540	\$ 16 654
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.72	\$ 0.12
ADVISOR SERIES	\$ 0.72	\$ 0.12
SERIES D	\$ 0.77	\$ 0.17
SERIES F	\$ 0.79	\$ 0.18
SERIES O	\$ 0.83	\$ 0.23

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 447	\$ 156	\$ 20	\$ –	\$ 4 128	\$ 1 371	\$ 51	\$ 5
INCREASE (DECREASE) FROM OPERATIONS	34	2	3	1	303	11	3	1
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	265	280	392	7	2 195	2 039	36	45
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(155)	–	(64)	–	(316)	(225)	(6)	(3)
TOTAL UNIT TRANSACTIONS	110	280	328	7	1 879	1 814	30	42
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	144	282	331	8	2 182	1 825	33	43
NET ASSETS – END OF PERIOD	\$ 591	\$ 438	\$ 351	\$ 8	\$ 6 310	\$ 3 196	\$ 84	\$ 48

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 870 866	\$ 761 910	\$ 875 512	\$ 763 442
INCREASE (DECREASE) FROM OPERATIONS	68 540	16 654	68 883	16 669
Early redemption fees	–	–	–	–
Proceeds from units issued	172 822	132 888	175 710	135 264
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(28 724)	(33 716)	(29 265)	(33 944)
TOTAL UNIT TRANSACTIONS	144 098	99 172	146 446	101 315
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	212 638	115 826	215 328	117 984
NET ASSETS – END OF PERIOD	\$ 1 083 504	\$ 877 736	\$ 1 090 840	\$ 881 426

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

June 30, 2012

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

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

Currency	June 30 2012	December 31 2011
United States dollar	100.0	100.0
Total	100.0	100.0

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2011 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 24-month (December 31, 2011 – 18-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
Russell 3000 Index	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	1 069 856	–	–	1 069 856
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	18 690	–	18 690
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(2)	–	(2)
Total financial instruments	1 069 856	18 688	–	1 088 544
% of total portfolio	98.3	1.7	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	858 028	–	–	858 028
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	14 554	–	14 554
Derivatives – assets	–	4	–	4
Derivatives – liabilities	–	–	–	–
Total financial instruments	858 028	14 558	–	872 586
% of total portfolio	98.3	1.7	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.05%

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	89	89
Advisor Series	94	94
Series D	89	89
Series F	89	89
Series O	92	92
Value of all units	\$ 5	\$ 5

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

The capital losses as at December 31, 2011 for the Fund were \$8 182. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	40	14
Issued number of units	23	24
Reinvested number of units	—	—
Redeemed number of units	(13)	—
Ending number of units	50	38
Advisor Series		
Opening units	2	—
Issued number of units	32	1
Reinvested number of units	—	—
Redeemed number of units	(5)	—
Ending number of units	29	1
Series D		
Opening units	366	121
Issued number of units	183	177
Reinvested number of units	—	—
Redeemed number of units	(26)	(20)
Ending number of units	523	278
Series F		
Opening units	5	—
Issued number of units	3	4
Reinvested number of units	—	—
Redeemed number of units	(1)	—
Ending number of units	7	4
Series O		
Opening units	78 660	68 429
Issued number of units	14 723	11 780
Reinvested number of units	—	—
Redeemed number of units	(2 438)	(2 952)
Ending number of units	90 945	77 257

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

June 30, 2012

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	1 407	100	1 803	100
Related-party brokerage commissions*	17	1	54	3
Commission arrangements†	614	44	51	3

* See note 7 in the generic notes.

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

**Securities lending (\$000s) (see note 6 in the
generic notes)**

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

	June 30 2012		June 30 2011	
	\$		\$	
Fair value of securities loaned	54 983		55 077	
Fair value of collateral received	57 732		57 831	

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

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

	June 30 2012	December 31 2011
Series 0		
Phillips, Hager & North LifeTime 2015 Fund	14	8
Phillips, Hager & North LifeTime 2020 Fund	27	17
Phillips, Hager & North LifeTime 2025 Fund	38	21
Phillips, Hager & North LifeTime 2030 Fund	25	16
Phillips, Hager & North LifeTime 2035 Fund	36	15
Phillips, Hager & North LifeTime 2040 Fund	34	28
Phillips, Hager & North LifeTime 2045 Fund	22	15
RBC Select Very Conservative Portfolio	6 630	4 430
RBC Select Conservative Portfolio	27 567	21 802
RBC Select Balanced Portfolio	35 358	32 260
RBC Select Growth Portfolio	17 153	16 638
RBC Select Aggressive Growth Portfolio	3 240	3 194
Phillips, Hager & North		
U.S. Multi-Style All-Cap Equity Class	368	–
Total	90 512	78 444

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

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

PHILLIPS, HAGER & NORTH U.S. EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
293 266	GameStop Corp., Class A	\$ 6 339	\$ 5 485	
420 261	General Motors Co.	12 170	8 433	
673 856	Johnson Controls Inc.	19 376	19 004	
263 475	McGraw-Hill Companies Inc.	9 230	12 071	
		47 115	44 993	4.8
Consumer Staples				
775 798	Archer Daniels Midland Co.	23 364	23 316	
336 845	CVS Corp.	11 403	16 026	
507 265	PepsiCo Inc.	33 096	36 487	
422 268	Sysco Corp.	13 806	12 807	
523 865	Wal-Mart Stores Inc.	29 754	37 180	
		111 423	125 816	13.4
Energy				
225 973	Apache Corp.	21 923	20 220	
441 523	Exxon Mobil Corp.	30 656	38 474	
760 349	Nabors Industries Ltd.	15 888	11 147	
522 288	Noble Corp.	18 721	17 287	
250 216	Peabody Energy Corp.	7 150	6 244	
433 548	Valero Energy Corp.	17 144	10 660	
		111 482	104 032	11.1
Financials				
533 345	Aflac Inc.	23 890	23 121	
531 141	Alliance Bernstein Holding LP	10 272	6 862	
425 104	Berkshire Hathaway Inc., Class B	31 260	36 056	
285 437	Brown & Brown Inc.	6 127	7 925	
669 375	JPMorgan Chase & Co.	25 330	24 350	
58 647	ProAssurance Corp.	4 378	5 316	
962 114	The Progressive Corp.	21 161	20 404	
1 099 735	Wells Fargo & Company	31 092	37 429	
		153 510	161 463	17.2
Health Care				
405 092	Becton Dickinson & Co.	31 072	30 816	
224 702	Gilead Sciences Inc.	8 428	11 713	
482 427	Johnson & Johnson	31 278	33 188	
337 744	Medtronic Inc.	12 515	13 314	
1 079 030	Pfizer Inc.	27 166	25 245	
175 653	Varian Medical Systems Inc.	10 195	10 871	
479 561	VCA Antech Inc.	9 438	10 736	
295 769	Waters Corp.	23 297	23 915	
348 612	WellPoint Inc.	21 601	22 644	
		174 990	182 442	19.5
Industrials				
549 985	Emerson Electric Co.	26 637	26 088	
244 492	Illinois Tool Works Inc.	12 344	13 160	
334 279	United Technologies Corp.	25 611	25 712	
		64 592	64 960	6.9

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
20 228	Apple Inc.	\$ 11 630	\$ 12 026	
1 889 700	Cisco Systems Inc.	40 692	33 033	
42 810	Google Inc., Class A	23 003	25 281	
341 167	Intel Corp.	7 981	9 253	
988 326	Microsoft Corp.	25 764	30 740	
541 350	Oracle Corporation	15 462	16 358	
178 773	QUALCOMM Inc.	7 775	10 129	
334 058	Scansource Inc.	9 603	10 407	
		141 910	147 227	15.7
Materials				
92 183	Cliffs Natural Resources Inc.	4 651	4 627	
446 785	The Mosaic Co.	24 628	24 900	
		29 279	29 527	3.2
Telecommunication Services				
414 716	AT&T Inc.	12 256	15 052	
732 004	Iridium Communications Inc.	4 949	6 215	
		17 205	21 267	2.3
Utilities				
403 464	Sempra Energy	20 728	28 277	
		20 728	28 277	3.0
TOTAL UNITED STATES EQUITIES		872 234	910 004	97.1
SHORT-TERM INVESTMENTS*		25 837	25 616	2.7
TOTAL INVESTMENTS		\$ 898 071	935 620	99.8
OTHER NET ASSETS			1 184	0.2
NET ASSETS			\$ 936 804	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.14% to 0.43% and mature between July 3, 2012 and August 9, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 935 620	\$ 956 085
Cash	6	56
Due from investment dealers	13 370	–
Subscriptions receivable	3 061	2 459
Dividends receivable, interest accrued and other assets	432	975
TOTAL ASSETS	952 489	959 575
LIABILITIES		
Due to investment dealers	13 858	–
Redemptions payable	1 618	1 512
Accounts payable and accrued expenses	209	213
TOTAL LIABILITIES	15 685	1 725
NET ASSETS	\$ 936 804	\$ 957 850
Investments at cost		
	\$ 898 071	\$ 961 065
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 2 613	\$ 2 297
ADVISOR SERIES	\$ 874	\$ 709
SERIES B	\$ 16	\$ 20
SERIES D	\$ 190 888	\$ 186 854
SERIES F	\$ 1 437	\$ 1 409
SERIES O	\$ 740 976	\$ 766 561
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 30.73	\$ 29.40
ADVISOR SERIES	\$ 30.73	\$ 29.40
SERIES B	\$ 30.77	\$ 29.40
SERIES D	\$ 30.64	\$ 29.20
SERIES F	\$ 30.80	\$ 29.32
SERIES O	\$ 31.29	\$ 29.65
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 30.75	\$ 29.42
ADVISOR SERIES	\$ 30.75	\$ 29.42
SERIES B	\$ 30.80	\$ 29.42
SERIES D	\$ 30.66	\$ 29.22
SERIES F	\$ 30.82	\$ 29.33
SERIES O	\$ 31.31	\$ 29.66

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 10 165	\$ 10 437
Interest	35	44
Foreign withholding taxes	(1 619)	(1 585)
TOTAL INCOME (LOSS)	8 581	8 896
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 005	1 002
Administration fees	174	179
Board of Governors costs	2	2
GST/HST	129	131
TOTAL EXPENSES	1 310	1 314
NET INVESTMENT INCOME (LOSS)	7 271	7 582
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	2 898	(19 509)
Net gain (loss) on foreign currencies and other net assets	(125)	69
Change in unrealized gain (loss) in value of investments	42 529	18 560
Transaction costs	(479)	(283)
NET GAIN (LOSS) ON INVESTMENTS	44 823	(1 163)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 52 094	\$ 6 419
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 102	\$ (30)
ADVISOR SERIES	\$ 32	\$ (14)
SERIES B	\$ –	\$ –
SERIES D	\$ 9 223	\$ 461
SERIES F	\$ 72	\$ 2
SERIES O	\$ 42 665	\$ 6 000
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 1.38	\$ (0.06)
ADVISOR SERIES	\$ 1.38	\$ (0.06)
SERIES B	\$ 1.42	\$ (0.03)
SERIES D	\$ 1.49	\$ 0.06
SERIES F	\$ 1.54	\$ 0.10
SERIES O	\$ 1.70	\$ 0.24

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 2 297	\$ 943	\$ 709	\$ 4	\$ 20	\$ 22	\$ 186 854	\$ 190 672
INCREASE (DECREASE) FROM OPERATIONS	102	(30)	32	(14)	–	–	9 223	461
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	996	1 480	176	654	–	–	17 981	28 106
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(782)	(736)	(43)	(10)	(4)	(3)	(23 170)	(24 490)
TOTAL UNIT TRANSACTIONS	214	744	133	644	(4)	(3)	(5 189)	3 616
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	316	714	165	630	(4)	(3)	4 034	4 077
NET ASSETS – END OF PERIOD	\$ 2 613	\$ 1 657	\$ 874	\$ 634	\$ 16	\$ 19	\$ 190 888	\$ 194 749

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 1 409	\$ 1 321	\$ 766 561	\$ 764 695	\$ 957 850	\$ 957 657
INCREASE (DECREASE) FROM OPERATIONS	72	2	42 665	6 000	52 094	6 419
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	821	623	65 119	152 337	85 093	183 200
Proceeds from reinvestment of distributions	–	–	20	–	20	–
Payments on redemption of units	(865)	(315)	(133 389)	(96 981)	(158 253)	(122 535)
TOTAL UNIT TRANSACTIONS	(44)	308	(68 250)	55 356	(73 140)	60 671
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	28	310	(25 585)	61 356	(21 046)	67 084
NET ASSETS – END OF PERIOD	\$ 1 437	\$ 1 631	\$ 740 976	\$ 826 051	\$ 936 804	\$ 1 024 741

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

June 30, 2012

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

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

	June 30 2012	December 31 2011
Currency		
United States dollar	100.0	99.8
Total	100.0	99.8

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2011 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P 500 Index CAD\$	+ or - 1.1	+ or - 1.2

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	910 004	–	–	910 004
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	25 616	–	25 616
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	910 004	25 616	–	935 620
% of total portfolio	97.3	2.7	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	935 939	–	–	935 939
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	20 146	–	20 146
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	935 939	20 146	–	956 085
% of total portfolio	97.9	2.1	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.50%
Series D	1.00%
Series F	0.75%

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.02%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	19	19
Advisor Series	36	36
Series B	19	19
Series F	19	19
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$550 423. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	78	32
Issued number of units	32	50
Reinvested number of units	–	–
Redeemed number of units	(25)	(25)
Ending number of units	85	57
Advisor Series		
Opening units	24	–
Issued number of units	5	22
Reinvested number of units	–	–
Redeemed number of units	(1)	–
Ending number of units	28	22
Series B		
Opening units	1	1
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	1	1
Series D		
Opening units	6 398	6 579
Issued number of units	588	947
Reinvested number of units	–	–
Redeemed number of units	(755)	(827)
Ending number of units	6 231	6 699
Series F		
Opening units	48	45
Issued number of units	27	22
Reinvested number of units	–	–
Redeemed number of units	(28)	(11)
Ending number of units	47	56
Series O		
Opening units	25 857	25 988
Issued number of units	2 092	5 054
Reinvested number of units	1	–
Redeemed number of units	(4 266)	(3 222)
Ending number of units	23 684	27 820

June 30, 2012

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	479	100	283	100
Related-party brokerage commissions*	2	—	—	—
Commission arrangements†	124	26	77	27

* See note 7 in the generic notes.

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

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

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

	June 30 2012	December 31 2011
Series 0		
Phillips, Hager & North Currency-Hedged		
U.S. Equity Fund	3 727	4 244
Phillips, Hager & North Balanced Fund	3 105	3 511
Phillips, Hager & North Balanced Pension Trust	5 832	6 664
Phillips, Hager & North Global Equity Fund	1 713	1 926
Total	14 377	16 345

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
3 727 095	Phillips, Hager & North U.S. Equity Fund*	\$ 104 145	\$ 116 686	
TOTAL INVESTMENTS		104 145	116 686	100.3
UNREALIZED GAINS (LOSSES) ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(326)	(0.3)
TOTAL PORTFOLIO		<u>\$ 104 145</u>	116 360	100.0
OTHER NET ASSETS			12	—
NET ASSETS			<u>\$ 116 372</u>	100.0

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

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought CAD 19 514 Sold USD 19 607 @ 0.9953	09-Jul-12	\$ (450)
Bought CAD 513 Sold USD 500 @ 1.0268	09-Jul-12	4
Bought CAD 1 223 Sold USD 1 200 @ 1.0195	09-Jul-12	2
Bought CAD 42 831 Sold USD 42 276 @ 1.0131	13-Jul-12	(220)
Bought USD 2 500 Sold CAD 2 569 @ 1.0275	13-Jul-12	(23)
Bought CAD 24 475 Sold USD 23 965 @ 1.0213	20-Jul-12	66
Bought CAD 1 061 Sold USD 1 030 @ 1.0297	20-Jul-12	11
Bought CAD 1 535 Sold USD 1 500 @ 1.0233	20-Jul-12	7
Bought CAD 1 231 Sold USD 1 200 @ 1.0259	20-Jul-12	9
Bought USD 50 Sold CAD 52 @ 1.0319	20-Jul-12	(1)
Bought CAD 25 004 Sold USD 24 280 @ 1.0298	27-Jul-12	269
Bought USD 25 Sold CAD 26 @ 1.0336	27-Jul-12	—
TOTAL FOREIGN EXCHANGE		<u>\$ (326)</u>

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND****Statements of Net Assets** (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 116 686	\$ 125 889
Cash	5	—
Due from investment dealers	50	328
Subscriptions receivable	210	1
Unrealized gain on foreign exchange contracts	—	1 099
TOTAL ASSETS	116 951	127 317
LIABILITIES		
Bank overdraft	—	259
Due to investment dealers	199	—
Redemptions payable	11	4
Unrealized loss on foreign exchange contracts	326	—
Accounts payable and accrued expenses	43	54
TOTAL LIABILITIES	579	317
NET ASSETS	\$ 116 372	\$ 127 000
Investments at cost	\$ 104 145	\$ 116 868
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 1 198	\$ 813
ADVISOR SERIES	\$ 177	\$ 146
SERIES B	\$ 1	\$ 15
SERIES D	\$ 32 914	\$ 42 322
SERIES F	\$ 1 223	\$ 1 191
SERIES O	\$ 80 859	\$ 82 513
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 7.33	\$ 7.00
ADVISOR SERIES	\$ 7.33	\$ 7.00
SERIES B	\$ 7.27	\$ 6.94
SERIES D	\$ 7.27	\$ 6.92
SERIES F	\$ 7.34	\$ 6.97
SERIES O	\$ 7.39	\$ 6.99
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 7.33	\$ 7.00
ADVISOR SERIES	\$ 7.33	\$ 7.00
SERIES B	\$ 7.27	\$ 6.94
SERIES D	\$ 7.27	\$ 6.92
SERIES F	\$ 7.34	\$ 6.97
SERIES O	\$ 7.39	\$ 6.99

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

(see note 2 in the generic notes)	2012	2011
TOTAL INCOME (LOSS)	\$ —	\$ —
EXPENSES (see notes – Fund Specific Information)		
Management fees	200	340
Administration fees	60	75
Board of Governors costs	2	2
GST/HST	31	48
TOTAL EXPENSES	293	465
NET INVESTMENT INCOME (LOSS)	(293)	(465)
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	3 618	3 142
Net gain (loss) on foreign currencies and other net assets	2 122	6 492
Change in unrealized gain (loss) in value of investments	2 095	(2 344)
NET GAIN (LOSS) ON INVESTMENTS	7 835	7 290
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 7 542	\$ 6 825
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 31	\$ 18
ADVISOR SERIES	\$ 6	\$ 1
SERIES B	\$ 2	\$ 1
SERIES D	\$ 2 196	\$ 2 881
SERIES F	\$ 64	\$ 49
SERIES O	\$ 5 243	\$ 3 876
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.41	\$ 0.28
ADVISOR SERIES	\$ 0.41	\$ 0.28
SERIES B	\$ 0.40	\$ 0.30
SERIES D	\$ 0.43	\$ 0.31
SERIES F	\$ 0.45	\$ 0.33
SERIES O	\$ 0.48	\$ 0.36

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 813	\$ 535	\$ 146	\$ 1	\$ 15	\$ 15	\$ 42 322	\$ 69 691
INCREASE (DECREASE) FROM OPERATIONS	31	18	6	–	2	1	2 196	2 881
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	588	370	25	–	–	–	1 649	4 014
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(234)	(159)	–	–	(16)	–	(13 253)	(18 653)
TOTAL UNIT TRANSACTIONS	354	211	25	–	(16)	–	(11 604)	(14 639)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	385	229	31	–	(14)	1	(9 408)	(11 758)
NET ASSETS – END OF PERIOD	\$ 1 198	\$ 764	\$ 177	\$ 1	\$ 1	\$ 16	\$ 32 914	\$ 57 933

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 1 191	\$ 1 323	\$ 82 513	\$ 85 345	\$ 127 000	\$ 156 910
INCREASE (DECREASE) FROM OPERATIONS	64	49	5 243	3 876	7 542	6 825
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	139	216	15 981	10 735	18 382	15 335
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(171)	(242)	(22 878)	(19 548)	(36 552)	(38 602)
TOTAL UNIT TRANSACTIONS	(32)	(26)	(6 897)	(8 813)	(18 170)	(23 267)
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	32	23	(1 654)	(4 937)	(10 628)	(16 442)
NET ASSETS – END OF PERIOD	\$ 1 223	\$ 1 346	\$ 80 859	\$ 80 408	\$ 116 372	\$ 140 468

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Currency risk

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

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P 500 Index CAD\$ Hedged	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	116 686	—	—	116 686
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	(326)	—	(326)
Total financial instruments	116 686	(326)	—	116 360
% of total portfolio	100.3	(0.3)	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	125 889	—	—	125 889
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	1 099	—	1 099
Derivatives – liabilities	—	—	—	—
Total financial instruments	125 889	1 099	—	126 988
% of total portfolio	99.1	0.9	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.50%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	78	78
Advisor Series	150	150
Series B	79	79
Series D	80	80
Series F	79	79
Series O	80	80
Value of all units	\$ 4	\$ 4

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	116	75
Issued number of units	79	50
Reinvested number of units	—	—
Redeemed number of units	(31)	(21)
Ending number of units	164	104
Advisor Series		
Opening units	21	—
Issued number of units	3	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	24	—
Series B		
Opening units	2	2
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	(2)	—
Ending number of units	—	2

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

	2012	2011
Series D		
Opening units	6 118	9 928
Issued number of units	225	556
Reinvested number of units	—	—
Redeemed number of units	(1 818)	(2 536)
Ending number of units	4 525	7 948
Series F		
Opening units	171	187
Issued number of units	19	29
Reinvested number of units	—	—
Redeemed number of units	(23)	(33)
Ending number of units	167	183
Series O		
Opening units	11 812	12 040
Issued number of units	2 151	1 439
Reinvested number of units	—	—
Redeemed number of units	(3 016)	(2 615)
Ending number of units	10 947	10 864

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North PRiSM Balanced Fund	1 603	1 678
Phillips, Hager & North Enhanced PRiSM Long Fund	808	—
Total	2 411	1 678

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

PHILLIPS, HAGER & NORTH U.S. GROWTH FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
108 115	Carmax Inc.	\$ 2 590	\$ 2 854	
81 291	Johnson Controls Inc.	2 533	2 293	
53 438	McGraw-Hill Companies Inc.	1 987	2 448	
		7 110	7 595	7.5
Consumer Staples				
53 644	PepsiCo Inc.	3 415	3 859	
59 635	Wal-Mart Stores Inc.	3 281	4 232	
		6 696	8 091	8.0
Energy				
28 830	Apache Corp.	2 501	2 580	
111 957	Nabors Industries Ltd.	2 748	1 641	
47 333	Tidewater Inc.	2 705	2 234	
51 018	Valero Energy Corp.	2 123	1 254	
		10 077	7 709	7.6
Financials				
53 443	Aflac Inc.	2 749	2 317	
28 709	Berkshire Hathaway Inc., Class B	2 305	2 435	
44 052	Brown & Brown Inc.	957	1 223	
34 746	First Republic Bank	1 152	1 188	
7 890	ProAssurance Corp.	707	715	
13 150	RenaissanceRe Holdings Ltd.	1 014	1 016	
177 713	The Progressive Corp.	3 788	3 770	
101 137	Wells Fargo & Company	3 188	3 442	
		15 860	16 106	15.9
Health Care				
37 935	Becton Dickinson & Co.	2 863	2 886	
36 900	Gilead Sciences Inc.	1 409	1 923	
49 401	Johnson & Johnson	3 269	3 398	
63 829	Varian Medical Systems Inc.	3 796	3 950	
37 521	Waters Corp.	2 939	3 034	
		14 276	15 191	15.0
Industrials				
48 360	Danaher Corp.	2 079	2 563	
173 397	General Electric Company	4 497	3 675	
35 220	Illinois Tool Works Inc.	1 860	1 896	
24 510	Spirit Airlines Inc.	496	485	
51 013	United Technologies Corp.	3 599	3 924	
		12 531	12 543	12.3

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
29 772	Amphenol Corp., Class A	\$ 1 296	\$ 1 665	
7 332	Apple Inc.	4 387	4 359	
205 296	Cisco Systems Inc.	4 633	3 589	
13 620	Cognizant Technology Solutions Corp., Class A	785	832	
5 478	Google Inc., Class A	2 889	3 235	
11 161	International Business Machines	1 527	2 221	
123 430	Microsoft Corp.	3 287	3 839	
86 965	Oracle Corporation	2 519	2 628	
55 310	QUALCOMM Inc.	2 719	3 134	
64 235	Scansource Inc.	1 688	2 001	
		25 730	27 503	27.1
Materials				
45 428	Nucor Corp.	2 001	1 753	
21 927	The Mosaic Co.	1 289	1 222	
		3 290	2 975	2.9
Telecommunication Services				
132 572	Iridium Communications Inc.	936	1 126	
		936	1 126	1.1
TOTAL UNITED STATES EQUITIES		96 506	98 839	97.4
SHORT-TERM INVESTMENTS*		3 653	3 619	3.5
TOTAL INVESTMENTS		<u>\$ 100 159</u>	102 458	100.9
OTHER NET ASSETS (LIABILITIES)			(855)	(0.9)
NET ASSETS			<u>\$ 101 603</u>	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.14% to 0.43% and mature between July 3, 2012 and August 9, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 102 458	\$ 104 728
Cash	4	66
Due from investment dealers	9 381	—
Subscriptions receivable	2	64
Dividends receivable, interest accrued and other assets	67	99
TOTAL ASSETS	111 912	104 957
LIABILITIES		
Due to investment dealers	10 161	—
Redemptions payable	88	3
Accounts payable and accrued expenses	60	63
TOTAL LIABILITIES	10 309	66
NET ASSETS	\$ 101 603	\$ 104 891

Investments at cost	\$ 100 159	\$ 108 143
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 1 368	\$ 494
ADVISOR SERIES	\$ 151	\$ 93
SERIES D	\$ 53 852	\$ 56 514
SERIES F	\$ 434	\$ 366
SERIES O	\$ 45 798	\$ 47 424

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 11.11	\$ 10.81
ADVISOR SERIES	\$ 11.11	\$ 10.81
SERIES D	\$ 11.17	\$ 10.82
SERIES F	\$ 11.30	\$ 10.94
SERIES O	\$ 11.46	\$ 11.05

NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,

END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 11.12	\$ 10.81
ADVISOR SERIES	\$ 11.12	\$ 10.81
SERIES D	\$ 11.18	\$ 10.83
SERIES F	\$ 11.31	\$ 10.94
SERIES O	\$ 11.48	\$ 11.05

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 918	\$ 929
Interest	5	7
Foreign withholding taxes	(142)	(135)
TOTAL INCOME (LOSS)	781	801
EXPENSES (see notes – Fund Specific Information)		
Management fees	298	273
Administration fees	46	43
Board of Governors costs	2	2
GST/HST	37	34
TOTAL EXPENSES	383	352
NET INVESTMENT INCOME (LOSS)	398	449
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	(2 467)	(2 177)
Net gain (loss) on foreign currencies and other net assets	117	(20)
Change in unrealized gain (loss) in value of investments	5 714	1 218
Transaction costs	(55)	(32)
NET GAIN (LOSS) ON INVESTMENTS	3 309	(1 011)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 3 707	\$ (562)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 9	\$ (9)
ADVISOR SERIES	\$ 3	\$ (1)
SERIES D	\$ 1 874	\$ (436)
SERIES F	\$ 12	\$ (1)
SERIES O	\$ 1 809	\$ (115)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.32	\$ (0.13)
ADVISOR SERIES	\$ 0.32	\$ (0.13)
SERIES D	\$ 0.36	\$ (0.08)
SERIES F	\$ 0.38	\$ (0.08)
SERIES O	\$ 0.43	\$ (0.02)

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 494	\$ 331	\$ 93	\$ 1	\$ 56 514	\$ 49 803	\$ 366	\$ 330
INCREASE (DECREASE) FROM OPERATIONS	9	(9)	3	(1)	1 874	(436)	12	(1)
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	1 199	308	117	87	4 141	10 129	190	164
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(334)	(185)	(62)	–	(8 677)	(4 260)	(134)	(63)
TOTAL UNIT TRANSACTIONS	865	123	55	87	(4 536)	5 869	56	101
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	874	114	58	86	(2 662)	5 433	68	100
NET ASSETS – END OF PERIOD	\$ 1 368	\$ 445	\$ 151	\$ 87	\$ 53 852	\$ 55 236	\$ 434	\$ 430

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 47 424	\$ 39 786	\$ 104 891	\$ 90 251
INCREASE (DECREASE) FROM OPERATIONS	1 809	(115)	3 707	(562)
Early redemption fees	–	–	–	–
Proceeds from units issued	5 230	10 293	10 877	20 981
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(8 665)	(2 354)	(17 872)	(6 862)
TOTAL UNIT TRANSACTIONS	(3 435)	7 939	(6 995)	14 119
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(1 626)	7 824	(3 288)	13 557
NET ASSETS – END OF PERIOD	\$ 45 798	\$ 47 610	\$ 101 603	\$ 103 808

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

June 30, 2012

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

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

Currency	June 30 2012	December 31 2011
United States dollar	100.0	99.9
Total	100.0	99.9

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2011 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P 500 Index CAD\$	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	98 839	–	–	98 839
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 619	–	3 619
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	98 839	3 619	–	102 458
% of total portfolio	96.5	3.5	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	102 661	–	–	102 661
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 067	–	2 067
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	102 661	2 067	–	104 728
% of total portfolio	98.0	2.0	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.07%

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	50	50
Advisor Series	95	95
Series F	50	50
Series O	50	50
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$70 673. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	46	30
Issued number of units	106	28
Reinvested number of units	—	—
Redeemed number of units	(29)	(17)
Ending number of units	123	41
Advisor Series		
Opening units	9	—
Issued number of units	10	8
Reinvested number of units	—	—
Redeemed number of units	(5)	—
Ending number of units	14	8
Series D		
Opening units	5 222	4 571
Issued number of units	366	914
Reinvested number of units	—	—
Redeemed number of units	(766)	(387)
Ending number of units	4 822	5 098

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

	2012	2011
Series F		
Opening units	33	30
Issued number of units	16	15
Reinvested number of units	—	—
Redeemed number of units	(11)	(6)
Ending number of units	38	39
Series O		
Opening units	4 293	3 578
Issued number of units	451	912
Reinvested number of units	—	—
Redeemed number of units	(749)	(209)
Ending number of units	3 995	4 281

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	55	100	32	100
Related-party brokerage commissions*	—	—	—	—
Commission arrangements [†]	8	15	7	22

* See note 7 in the generic notes.

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

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

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
INTERNATIONAL EQUITIES				
Australia				
384 700	Newcrest Mining Ltd.	\$ 9 769	\$ 9 116	
		9 769	9 116	1.0
Brazil				
257 056	Companhia de Saneamento de Minas Gerais	3 850	5 660	
1 015 600	MRV Engenharia e Participacoes S.A.	6 302	4 781	
465 052	Petroleo Brasileiro S.A. ADR	8 859	8 882	
		19 011	19 323	2.2
China				
63 464 150	Zijin Mining Group Co. Ltd.	29 544	21 984	
		29 544	21 984	2.5
France				
136 832	Casino Guichard Perrachon S.A.	10 960	12 247	
304 190	Compagnie Generale des Etablissements Michelin	22 877	20 266	
189 400	GDF Suez	5 069	4 599	
207 900	Groupe Danone	13 587	13 157	
229 519	Renault S.A.	11 894	9 333	
595 201	Sanofi	46 613	45 881	
		111 000	105 483	11.9
Germany				
80 800	Daimler AG	4 332	3 694	
33 250	Muenchener Rueckversicherungs-Gesellschaft AG	4 154	4 768	
237 000	Rhoen Klinikum AG	4 699	5 648	
		13 185	14 110	1.6
Hong Kong				
354 485	Cheung Kong (Holdings) Ltd.	4 207	4 456	
3 027 288	China Mobile (Hong Kong) Ltd.	30 341	33 833	
3 808 000	First Pacific Co.	2 403	4 039	
1 132 700	Kingboard Chemical Holdings Ltd.	3 705	2 246	
297 340	Kingboard Chemical Holdings Ltd., Warrants @ 40.00 October 31, 2012	—	—	
743 500	Sun Hung Kai Properties Ltd.	8 916	8 999	
135 300	Swire Pacific Ltd. 'A'	1 403	1 602	
897 200	The Wharf Holdings Ltd.	5 144	5 080	
		56 119	60 255	6.8
India				
373 793	Hexa Tradex Ltd.	261	264	
6 510 555	NIIT Ltd.	10 404	5 028	
1 744 800	Rolta India Ltd.	7 404	2 593	
		18 069	7 885	0.9
Israel				
415 157	Teva Pharmaceutical Industries Ltd. ADR	17 147	16 670	
		17 147	16 670	1.9

Holdings	Security	Cost	Fair Value	% of Net Assets
Italy				
1 218 757	ENI S.p.A.	\$ 33 236	\$ 26 366	
3 282 616	Intesa Sanpaolo S.p.A.	7 915	4 114	
		41 151	30 480	3.4
Japan				
120 200	Hogy Medical Co. Ltd.	6 280	5 578	
1 826	Inpex Corp.	9 339	10 434	
3 934	KDDI Corporation	24 910	25 818	
1 176 100	Mitsubishi Corp.	27 133	24 186	
5 079	NTT DoCoMo Inc.	8 643	8 598	
65 700	Otsuka Corp.	3 932	5 690	
110 900	Sankyo Co. Ltd.	5 521	5 506	
650 000	Softbank Corp.	21 813	24 615	
1 032 800	Sumitomo Heavy Industries Ltd.	4 443	4 731	
		112 014	115 156	13.0
Netherlands				
483 600	Koninklijke Boskalis Westminster N.V.	18 372	16 250	
242 500	SBM Offshore N.V.	4 346	3 422	
		22 718	19 672	2.2
Norway				
432 200	Yara International ASA	17 512	19 251	
		17 512	19 251	2.2
Peru				
105 200	Buenaventura S.A. ADR	4 411	4 065	
		4 411	4 065	0.5
Russia				
150 150	LUKOIL ADR	9 142	8 566	
		9 142	8 566	1.0
Singapore				
16 000 600	Golden Agri-Resources Ltd.	8 103	8 702	
		8 103	8 702	1.0
South Africa				
971 900	Aveng Ltd.	5 253	4 342	
179 000	Sasol Ltd. ADR	9 296	7 740	
		14 549	12 082	1.4
South Korea				
252 189	KT Corp. ADR	5 333	3 379	
		5 333	3 379	0.4
Spain				
1 300 506	Mapfre SA	4 684	2 694	
		4 684	2 694	0.3
Switzerland				
99 100	Adecco S.A.	5 020	4 487	
172 900	Aryzt AG	8 579	8 762	
817 416	Novartis AG	45 588	46 530	
155 820	Roche Holdings AG Genussscheine	23 971	27 402	
1 315 874	UBS AG	24 159	15 677	
19 856	Zurich Insurance Group AG	5 309	4 571	
		112 626	107 429	12.2

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

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

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

PHILLIPS, HAGER & NORTH
Investment Management™

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
United Kingdom				
3 135 782	Aviva Plc.	\$ 19 184	\$ 13 674	
2 625 000	Barclays Plc.	10 677	6 831	
218 700	Berkeley Group Holdings Plc.	4 400	4 927	
599 200	BHP Billiton Plc.	17 587	17 344	
96 880 028	Cable & Wireless Worldwide Plc.	101 876	58 804	
2 721 453	Carillion Plc.	14 330	12 006	
2 723 191	Catlin Group Ltd.	15 736	18 507	
2 149 996	Firstgroup Plc.	11 246	7 728	
6 408 391	G4S Plc.	23 925	28 523	
255 700	GlaxoSmithKline Plc.	5 684	5 915	
2 151 300	HSBC Holdings Plc. (U.K. Reg.)	19 112	19 306	
243 865	Reckitt Benckiser Plc.	13 892	13 127	
1 413 116	TUI Travel Plc.	4 921	3 826	
6 293 963	Vodafone Group Plc.	17 459	18 016	
		280 029	228 534	25.9
United States				
355 140	Transocean Ltd.	24 373	16 173	
		24 373	16 173	1.8
TOTAL INTERNATIONAL EQUITIES		930 489	831 009	94.1
UNREALIZED GAINS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		—	93	—
TOTAL PORTFOLIO		<u>\$ 930 489</u>	831 102	94.1
OTHER NET ASSETS			52 917	5.9
NET ASSETS			<u>\$ 884 019</u>	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought CAD 1 816 Sold JPY 141 109 @ 0.0129	03-Jul-12	\$ 20
Bought CAD 461 Sold GBP 288 @ 1.5970	03-Jul-12	1
Bought CAD 2 549 Sold JPY 196 678 @ 0.0130	03-Jul-12	45
Bought CAD 1 452 Sold GBP 906 @ 1.6035	03-Jul-12	8
Bought CAD 2 137 Sold GBP 1 339 @ 1.5964	04-Jul-12	2
Bought CAD 4 165 Sold JPY 325 908 @ 0.0128	05-Jul-12	17
TOTAL FOREIGN EXCHANGE		<u>\$ 93</u>

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 831 009	\$ 815 999
Cash	34 510	18 200
Due from investment dealers	12 487	–
Subscriptions receivable	3 342	1 227
Unrealized gain on foreign exchange contracts	93	6
Dividends receivable, interest accrued and other assets	3 388	2 679
TOTAL ASSETS	884 829	838 111
LIABILITIES		
Redemptions payable	525	1 828
Accounts payable and accrued expenses	285	318
TOTAL LIABILITIES	810	2 146
NET ASSETS	\$ 884 019	\$ 835 965

Investments at cost	\$ 930 489	\$ 997 706
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 2 428	\$ 2 432
ADVISOR SERIES	\$ 481	\$ 522
SERIES B	\$ 88	\$ 113
SERIES D	\$ 206 445	\$ 213 555
SERIES F	\$ 3 628	\$ 3 931
SERIES O	\$ 670 949	\$ 615 412

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 8.47	\$ 7.97
ADVISOR SERIES	\$ 8.47	\$ 7.97
SERIES B	\$ 8.46	\$ 7.96
SERIES D	\$ 8.45	\$ 7.91
SERIES F	\$ 8.07	\$ 7.55
SERIES O	\$ 8.67	\$ 8.08

**NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,
END OF PERIOD** (see note 3 in the generic notes)

SERIES C	\$ 8.47	\$ 7.97
ADVISOR SERIES	\$ 8.47	\$ 7.97
SERIES B	\$ 8.46	\$ 7.96
SERIES D	\$ 8.45	\$ 7.92
SERIES F	\$ 8.07	\$ 7.55
SERIES O	\$ 8.67	\$ 8.08

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 22 822	\$ 25 213
Interest	–	27
Securities lending revenue (see note 6 in the generic notes)	416	517
Foreign withholding taxes	(2 756)	(1 732)
TOTAL INCOME (LOSS)	20 482	24 025
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 239	1 760
Administration fees	431	541
Board of Governors costs	2	2
GST/HST	182	257
TOTAL EXPENSES	1 854	2 560
NET INVESTMENT INCOME (LOSS)	18 628	21 465
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	(36 829)	32 536
Net gain (loss) on foreign currencies and other net assets	(414)	1 072
Change in unrealized gain (loss) in value of investments	82 314	(76 040)
Transaction costs	(1 970)	(1 842)
NET GAIN (LOSS) ON INVESTMENTS	43 101	(44 274)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 61 729	\$ (22 809)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES C	\$ 162	\$ (90)
ADVISOR SERIES	\$ 34	\$ (20)
SERIES B	\$ 7	\$ (5)
SERIES D	\$ 14 314	\$ (7 871)
SERIES F	\$ 247	\$ (120)
SERIES O	\$ 46 965	\$ (14 703)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.52	\$ (0.30)
ADVISOR SERIES	\$ 0.52	\$ (0.30)
SERIES B	\$ 0.53	\$ (0.29)
SERIES D	\$ 0.56	\$ (0.26)
SERIES F	\$ 0.54	\$ (0.23)
SERIES O	\$ 0.62	\$ (0.20)

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 2 432	\$ 1 762	\$ 522	\$ 45	\$ 113	\$ 197	\$ 213 555	\$ 316 592
INCREASE (DECREASE) FROM OPERATIONS	162	(90)	34	(20)	7	(5)	14 314	(7 871)
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	915	1 706	121	566	–	–	16 684	21 827
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(1 081)	(535)	(196)	(22)	(32)	(37)	(38 108)	(30 239)
TOTAL UNIT TRANSACTIONS	(166)	1 171	(75)	544	(32)	(37)	(21 424)	(8 412)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(4)	1 081	(41)	524	(25)	(42)	(7 110)	(16 283)
NET ASSETS – END OF PERIOD	\$ 2 428	\$ 2 843	\$ 481	\$ 569	\$ 88	\$ 155	\$ 206 445	\$ 300 309

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 3 931	\$ 4 384	\$ 615 412	\$ 730 527	\$ 835 965	\$ 1 053 507
INCREASE (DECREASE) FROM OPERATIONS	247	(120)	46 965	(14 703)	61 729	(22 809)
Early redemption fees	–	–	–	1	–	1
Proceeds from units issued	1 266	2 497	106 767	95 163	125 753	121 759
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(1 816)	(921)	(98 195)	(51 477)	(139 428)	(83 231)
TOTAL UNIT TRANSACTIONS	(550)	1 576	8 572	43 687	(13 675)	38 529
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(303)	1 456	55 537	28 984	48 054	15 720
NET ASSETS – END OF PERIOD	\$ 3 628	\$ 5 840	\$ 670 949	\$ 759 511	\$ 884 019	\$ 1 069 227

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

June 30, 2012

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

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

	June 30 2012	December 31 2011
Currency		
Pound sterling	26.0	24.7
Euro	19.9	29.4
Japanese yen	13.1	13.9
Swiss franc	12.2	9.9
Hong Kong dollar	9.4	5.0
United States dollar	7.9	11.1
Norwegian krone	2.2	–
Brazilian real	1.2	0.6
Australian dollar	1.0	1.9
Singapore dollar	1.0	–
Indian rupee	0.9	1.4
South African rand	0.5	0.7
Philippine peso	–	0.6
Danish krone	–	0.5
Total	95.3	99.7

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2011 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
MSCI EAFE Total Return Index CAD\$	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	67 350	763 659	–	831 009
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	93	–	93
Derivatives – liabilities	–	–	–	–
Total financial instruments	67 350	763 752	–	831 102
% of total portfolio	8.1	91.9	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	93 570	722 429	–	815 999
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	6	–	6
Derivatives – liabilities	–	–	–	–
Total financial instruments	93 570	722 435	–	816 005
% of total portfolio	11.5	88.5	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.85%
Advisor Series	1.85%
Series B	1.75%
Series D	1.10%
Series F	0.85%

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.15%
Advisor Series	0.15%
Series B	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.08%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	51	51
Advisor Series	98	98
Series B	51	51
Series F	54	54
Value of all units	\$ 2	\$ 2

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

The capital losses as at December 31, 2011 for the Fund were \$309 663. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	305	170
Issued number of units	107	165
Reinvested number of units	—	—
Redeemed number of units	(126)	(52)
Ending number of units	286	283
Advisor Series		
Opening units	65	4
Issued number of units	15	55
Reinvested number of units	—	—
Redeemed number of units	(23)	(2)
Ending number of units	57	57
Series B		
Opening units	14	19
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	(4)	(4)
Ending number of units	10	15
Series D		
Opening units	26 982	30 758
Issued number of units	1 963	2 106
Reinvested number of units	—	—
Redeemed number of units	(4 502)	(2 938)
Ending number of units	24 443	29 926
Series F		
Opening units	521	447
Issued number of units	156	256
Reinvested number of units	—	—
Redeemed number of units	(227)	(93)
Ending number of units	450	610
Series O		
Opening units	76 209	69 548
Issued number of units	12 412	9 037
Reinvested number of units	—	—
Redeemed number of units	(11 254)	(4 890)
Ending number of units	77 367	73 695

June 30, 2012

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	1 970	100	1 842	100
Related-party brokerage commissions*	—	—	—	—
Commission arrangements†	—	—	—	—

* See note 7 in the generic notes.

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

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

Commencing in September 2010, the Fund has entered into a securities lending program with its custodian, RBC Dexia Investor Services Trust.

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

	June 30 2012		June 30 2011	
Fair value of securities loaned	\$ 132 309		\$ 177 030	
Fair value of collateral received	\$ 138 925		\$ 185 882	

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North PRisM Balanced Fund	589	619
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	21 980	22 626
Phillips, Hager & North Enhanced PRisM Long Fund	294	—
BonaVista Global Balanced Fund	50	61
Phillips, Hager & North LifeTime 2015 Fund	10	5
Phillips, Hager & North LifeTime 2020 Fund	19	11
Phillips, Hager & North LifeTime 2025 Fund	26	13
Phillips, Hager & North LifeTime 2030 Fund	17	10
Phillips, Hager & North LifeTime 2035 Fund	25	10
Phillips, Hager & North LifeTime 2040 Fund	24	18
Phillips, Hager & North LifeTime 2045 Fund	15	10
Phillips, Hager & North Overseas Equity Class	553	—
Total	23 602	23 383

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

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
21 980 493	Phillips, Hager & North Overseas Equity Fund*	\$ 206 406	\$ 190 628	
TOTAL INVESTMENTS		206 406	190 628	99.8
UNREALIZED GAINS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		—	328	0.2
TOTAL PORTFOLIO		<u>\$ 206 406</u>	190 956	100.0
OTHER NET ASSETS			9	—
NET ASSETS			<u>\$ 190 965</u>	100.0

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

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought CAD 1 601 Sold GBP 1 000 @ 1.6013	06-Jul-12	\$ 6
Bought CAD 483 Sold GBP 300 @ 1.6092	06-Jul-12	4
Bought CAD 9 961 Sold GBP 6 245 @ 1.5950	06-Jul-12	—
Bought GBP 1 030 Sold CAD 1 649 @ 1.6009	06-Jul-12	(6)
Bought GBP 150 Sold CAD 240 @ 1.5972	06-Jul-12	—
Bought GBP 150 Sold CAD 241 @ 1.6045	06-Jul-12	(1)
Bought GBP 250 Sold CAD 400 @ 1.5993	06-Jul-12	(1)
Bought GBP 50 Sold CAD 80 @ 1.6029	06-Jul-12	—
Bought GBP 610 Sold CAD 982 @ 1.6095	06-Jul-12	(9)
Bought GBP 650 Sold CAD 1 038 @ 1.5965	06-Jul-12	(1)
Bought AUD 130 Sold CAD 135 @ 1.0422	09-Jul-12	—
Bought AUD 150 Sold CAD 154 @ 1.0287	09-Jul-12	2
Bought AUD 25 Sold CAD 25 @ 0.9992	09-Jul-12	1
Bought AUD 27 Sold CAD 28 @ 1.0212	09-Jul-12	1
Bought AUD 35 Sold CAD 36 @ 1.0182	09-Jul-12	1
Bought AUD 58 Sold CAD 58 @ 1.0064	09-Jul-12	2
Bought AUD 80 Sold CAD 81 @ 1.0075	09-Jul-12	3
Bought AUD 820 Sold CAD 827 @ 1.0081	09-Jul-12	28
Bought CAD 1 391 Sold SGD 1 725 @ 0.8067	09-Jul-12	5
Bought CAD 1 421 Sold USD 1 386 @ 1.0251	09-Jul-12	9
Bought CAD 123 Sold USD 120 @ 1.0276	09-Jul-12	1
Bought CAD 145 Sold AUD 142 @ 1.0176	09-Jul-12	(3)
Bought CAD 160 Sold USD 155 @ 1.0327	09-Jul-12	2
Bought CAD 2 064 Sold AUD 2 028 @ 1.0180	09-Jul-12	(48)
Bought CAD 3 884 Sold USD 3 902 @ 0.9953	09-Jul-12	(90)
Bought CAD 457 Sold AUD 453 @ 1.0089	09-Jul-12	(15)
Bought CAD 47 Sold AUD 45 @ 1.0365	09-Jul-12	—
Bought CAD 535 Sold AUD 530 @ 1.0093	09-Jul-12	(17)
Bought CAD 880 Sold JPY 68 000 @ 0.0129	09-Jul-12	14
Bought CAD 901 Sold USD 875 @ 1.0300	09-Jul-12	10
Bought CAD 939 Sold USD 905 @ 1.0378	09-Jul-12	18

SCHEDULE A (cont.)**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought GBP 200 Sold CAD 321 @ 1.6037	09-Jul-12	\$ (2)
Bought GBP 75 Sold CAD 120 @ 1.6046	09-Jul-12	(1)
Bought JPY 56 000 Sold CAD 724 @ 0.0129	09-Jul-12	(11)
Bought SGD 35 Sold CAD 28 @ 0.8002	09-Jul-12	—
Bought SGD 45 Sold CAD 36 @ 0.8035	09-Jul-12	—
Bought USD 400 Sold CAD 405 @ 1.0125	09-Jul-12	2
Bought USD 450 Sold CAD 448 @ 0.9946	09-Jul-12	11
Bought USD 450 Sold CAD 462 @ 1.0269	09-Jul-12	(4)
Bought USD 700 Sold CAD 721 @ 1.0305	09-Jul-12	(9)
Bought CAD 14 329 Sold GBP 8 931 @ 1.6044	11-Jul-12	82
Bought CAD 160 Sold CHF 150 @ 1.0695	11-Jul-12	(1)
Bought CAD 2 260 Sold CHF 2 100 @ 1.0761	11-Jul-12	6
Bought CAD 268 Sold CHF 250 @ 1.0728	11-Jul-12	—
Bought CAD 9 532 Sold CHF 8 869 @ 1.0747	11-Jul-12	15
Bought GBP 1 000 Sold CAD 1 615 @ 1.6151	11-Jul-12	(20)
Bought GBP 100 Sold CAD 160 @ 1.6033	11-Jul-12	(1)
Bought GBP 470 Sold CAD 760 @ 1.6162	11-Jul-12	(10)
Bought CAD 926 Sold NOK 5 380 @ 0.1721	12-Jul-12	5
Bought CAD 962 Sold NOK 5 605 @ 0.1716	12-Jul-12	3
Bought CAD 948 Sold NOK 5 500 @ 0.1724	12-Jul-12	7
Bought CAD 943 Sold NOK 5 500 @ 0.1714	12-Jul-12	2
Bought CAD 153 Sold NOK 900 @ 0.1697	12-Jul-12	(1)
Bought CAD 34 Sold NOK 200 @ 0.1708	12-Jul-12	—
Bought CAD 1 027 Sold USD 1 000 @ 1.0268	13-Jul-12	8
Bought CAD 12 179 Sold USD 12 021 @ 1.0131	13-Jul-12	(63)
Bought CAD 2 473 Sold JPY 190 781 @ 0.0130	13-Jul-12	44
Bought CAD 5 520 Sold JPY 437 620 @ 0.0126	13-Jul-12	(52)
Bought CAD 8 938 Sold EUR 6 958 @ 1.2845	13-Jul-12	(31)
Bought JPY 30 600 Sold CAD 394 @ 0.0129	13-Jul-12	(4)
Bought JPY 49 000 Sold CAD 635 @ 0.0130	13-Jul-12	(11)
Bought USD 80 Sold CAD 81 @ 1.0182	13-Jul-12	—

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

June 30, 2012

SCHEDULE A (cont.)**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gains (Losses)
Bought CAD 348 Sold SGD 430 @ 0.8088	19-Jul-12	\$ 2
Bought CAD 24 Sold SGD 30 @ 0.8044	19-Jul-12	—
Bought CAD 48 Sold SGD 60 @ 0.8035	19-Jul-12	—
Bought CAD 36 Sold SGD 45 @ 0.8036	19-Jul-12	—
Bought CAD 24 Sold SGD 30 @ 0.8034	19-Jul-12	—
Bought CAD 5 396 Sold USD 5 240 @ 1.0297	20-Jul-12	58
Bought CAD 825 Sold USD 800 @ 1.0310	20-Jul-12	10
Bought CAD 7 490 Sold JPY 577 585 @ 0.0130	20-Jul-12	134
Bought CAD 130 Sold JPY 10 000 @ 0.0130	20-Jul-12	3
Bought CAD 129 Sold JPY 10 000 @ 0.0129	20-Jul-12	2
Bought CAD 1 286 Sold JPY 100 000 @ 0.0129	20-Jul-12	12
Bought CAD 306 Sold USD 300 @ 1.0195	20-Jul-12	—
Bought CAD 17 770 Sold EUR 13 775 @ 1.2900	26-Jul-12	5
Bought CAD 215 Sold CHF 200 @ 1.0774	26-Jul-12	1
Bought CAD 323 Sold CHF 300 @ 1.0772	26-Jul-12	1
Bought CAD 388 Sold EUR 300 @ 1.2939	26-Jul-12	1
Bought CAD 4 174 Sold CHF 3 898 @ 1.0709	26-Jul-12	(12)
Bought CAD 5 648 Sold CHF 5 255 @ 1.0749	26-Jul-12	5
Bought CAD 516 Sold EUR 400 @ 1.2897	26-Jul-12	—
Bought EUR 350 Sold CAD 448 @ 1.2803	26-Jul-12	3
Bought EUR 650 Sold CAD 840 @ 1.2930	26-Jul-12	(2)
Bought CAD 8 893 Sold USD 8 635 @ 1.0298	27-Jul-12	96
Bought CAD 17 920 Sold GBP 11 198 @ 1.6003	03-Aug-12	46
Bought CAD 482 Sold GBP 300 @ 1.6053	03-Aug-12	3
Bought CAD 9 789 Sold EUR 7 594 @ 1.2890	09-Aug-12	(10)
Bought CAD 11 849 Sold GBP 7 404 @ 1.6004	10-Aug-12	30
Bought CAD 560 Sold GBP 350 @ 1.6004	10-Aug-12	1
Bought CAD 8 841 Sold JPY 688 300 @ 0.0128	20-Aug-12	62
Bought JPY 70 100 Sold CAD 897 @ 0.0128	20-Aug-12	(3)
TOTAL FOREIGN EXCHANGE		\$ 328

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND****Statements of Net Assets** (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 190 628	\$ 182 717
Cash	22	—
Due from investment dealers	222	1 500
Subscriptions receivable	86	175
Unrealized gain on foreign exchange contracts	328	3 493
Dividends receivable, interest accrued and other assets	1	—
TOTAL ASSETS	191 287	187 885
LIABILITIES		
Bank overdraft	—	1 419
Due to investment dealers	81	144
Redemptions payable	178	31
Accounts payable and accrued expenses	63	68
TOTAL LIABILITIES	322	1 662
NET ASSETS	\$ 190 965	\$ 186 223
Investments at cost	\$ 206 406	\$ 215 605
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 764	\$ 474
ADVISOR SERIES	\$ 21	\$ 11
SERIES D	\$ 37 891	\$ 42 109
SERIES F	\$ 803	\$ 794
SERIES O	\$ 151 486	\$ 142 835
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 7.09	\$ 6.59
ADVISOR SERIES	\$ 7.09	\$ 6.59
SERIES D	\$ 6.93	\$ 6.41
SERIES F	\$ 7.00	\$ 6.46
SERIES O	\$ 7.06	\$ 6.49
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 7.09	\$ 6.59
ADVISOR SERIES	\$ 7.09	\$ 6.59
SERIES D	\$ 6.93	\$ 6.41
SERIES F	\$ 7.00	\$ 6.46
SERIES O	\$ 7.06	\$ 6.49

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
TOTAL INCOME (LOSS)	\$ —	\$ —
EXPENSES (see notes – Fund Specific Information)		
Management fees	230	322
Administration fees	135	148
Board of Governors costs	2	2
GST/HST	41	53
TOTAL EXPENSES	408	525
NET INVESTMENT INCOME (LOSS)	(408)	(525)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	(3 095)	1 277
Net gain (loss) on foreign currencies and other net assets	6 157	(2 255)
Change in unrealized gain (loss) in value of investments	13 945	(4 668)
NET GAIN (LOSS) ON INVESTMENTS	17 007	(5 646)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 16 599	\$ (6 171)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 37	\$ (21)
ADVISOR SERIES	\$ —	\$ —
SERIES D	\$ 3 288	\$ (1 863)
SERIES F	\$ 64	\$ (24)
SERIES O	\$ 13 210	\$ (4 263)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.56	\$ (0.32)
ADVISOR SERIES	\$ 0.56	\$ (0.32)
SERIES D	\$ 0.56	\$ (0.28)
SERIES F	\$ 0.58	\$ (0.27)
SERIES O	\$ 0.61	\$ (0.24)

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 474	\$ 368	\$ 11	\$ 1	\$ 42 109	\$ 59 968	\$ 794	\$ 626
INCREASE (DECREASE) FROM OPERATIONS	37	(21)	–	–	3 288	(1 863)	64	(24)
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	362	479	10	13	7 888	4 812	336	222
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(109)	(200)	–	–	(15 394)	(8 450)	(391)	(135)
TOTAL UNIT TRANSACTIONS	253	279	10	13	(7 506)	(3 638)	(55)	87
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	290	258	10	13	(4 218)	(5 501)	9	63
NET ASSETS – END OF PERIOD	\$ 764	\$ 626	\$ 21	\$ 14	\$ 37 891	\$ 54 467	\$ 803	\$ 689

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 142 835	\$ 143 589	\$ 186 223	\$ 204 552
INCREASE (DECREASE) FROM OPERATIONS	13 210	(4 263)	16 599	(6 171)
Early redemption fees	–	–	–	–
Proceeds from units issued	29 204	20 360	37 800	25 886
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(33 763)	(8 650)	(49 657)	(17 435)
TOTAL UNIT TRANSACTIONS	(4 559)	11 710	(11 857)	8 451
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	8 651	7 447	4 742	2 280
NET ASSETS – END OF PERIOD	\$ 151 486	\$ 151 036	\$ 190 965	\$ 206 832

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Currency risk

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

Other price risk (% impact on net assets)

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

		June 30 2012	December 31 2011
MSCI EAFE Developed Markets Index Local \$	+ or -	1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	190 628	—	—	190 628
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	328	—	328
Derivatives – liabilities	—	—	—	—
Total financial instruments	190 628	328	—	190 956
% of total portfolio	99.8	0.2	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	182 717	—	—	182 717
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	3 493	—	3 493
Derivatives – liabilities	—	—	—	—
Total financial instruments	182 717	3 493	—	186 210
% of total portfolio	98.1	1.9	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.85%
Advisor Series	1.85%
Series D	1.10%
Series F	0.85%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.15%
Advisor Series	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.14%

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

Investment Management™

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	62	62
Advisor Series	121	121
Series D	64	64
Series F	64	64
Series O	64	64
Value of all units	\$ 3	\$ 2

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

The capital losses as at December 31, 2011 for the Fund were \$4 201. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	72	42
Issued number of units	51	56
Reinvested number of units	—	—
Redeemed number of units	(15)	(23)
Ending number of units	108	75
Advisor Series		
Opening units	2	—
Issued number of units	1	2
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	3	2
Series D		
Opening units	6 573	7 067
Issued number of units	1 141	563
Reinvested number of units	—	—
Redeemed number of units	(2 244)	(992)
Ending number of units	5 470	6 638

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

	2012	2011
Series F		
Opening units	123	73
Issued number of units	46	26
Reinvested number of units	—	—
Redeemed number of units	(54)	(16)
Ending number of units	115	83
Series O		
Opening units	22 010	16 697
Issued number of units	4 188	2 356
Reinvested number of units	—	—
Redeemed number of units	(4 738)	(1 001)
Ending number of units	21 460	18 052

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

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

	June 30 2012	December 31 2011
Series O		
Phillips, Hager & North PRiSM Balanced Fund	717	754
Phillips, Hager & North Enhanced PRiSM Long Fund	371	—
Total	1 088	754

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

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

PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
1 713 131	Phillips, Hager & North U.S. Equity Fund*	\$ 51 440	\$ 53 634	
5 906 474	Phillips, Hager & North Overseas Equity Pension Trust*	53 165	46 671	
TOTAL MUTUAL FUND UNITS		104 605	100 305	99.5
SHORT-TERM INVESTMENTS†		5 284	5 281	5.2
TOTAL INVESTMENTS		<u>\$ 109 889</u>	105 586	104.7
OTHER NET ASSETS (LIABILITIES)			(4 788)	(4.7)
NET ASSETS			<u>\$ 100 798</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.14% to 1.00% and mature on July 3, 2012.

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 105 586	\$ 103 488
Due from investment dealers	3	479
Subscriptions receivable	196	2 688
Dividends receivable, interest accrued and other assets	17	20
TOTAL ASSETS	105 802	106 675
LIABILITIES		
Bank overdraft	4 762	208
Due to investment dealers	188	2 631
Redemptions payable	13	325
Accounts payable and accrued expenses	41	44
TOTAL LIABILITIES	5 004	3 208
NET ASSETS	\$ 100 798	\$ 103 467
Investments at cost	\$ 109 889	\$ 114 911
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 1 712	\$ 1 583
ADVISOR SERIES	\$ 186	\$ 122
SERIES B	\$ —	\$ —
SERIES D	\$ 34 880	\$ 36 198
SERIES F	\$ 126	\$ 156
SERIES O	\$ 63 894	\$ 65 408
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 7.51	\$ 7.13
ADVISOR SERIES	\$ 7.51	\$ 7.13
SERIES B	\$ 7.57	\$ 7.18
SERIES D	\$ 7.56	\$ 7.15
SERIES F	\$ 7.64	\$ 7.22
SERIES O	\$ 7.72	\$ 7.26
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 7.51	\$ 7.13
ADVISOR SERIES	\$ 7.51	\$ 7.13
SERIES B	\$ 7.57	\$ 7.18
SERIES D	\$ 7.56	\$ 7.15
SERIES F	\$ 7.64	\$ 7.22
SERIES O	\$ 7.72	\$ 7.26

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

(see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ —	\$ 2 011
Interest	14	2
Securities lending revenue (see note 6 in the generic notes)	—	24
Foreign withholding taxes	—	(265)
TOTAL INCOME (LOSS)	14	1 772
EXPENSES (see notes – Fund Specific Information)		
Management fees	199	243
Administration fees	33	88
Board of Governors costs	2	2
GST/HST	27	38
TOTAL EXPENSES	261	371
NET INVESTMENT INCOME (LOSS)	(247)	1 401
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	(474)	(805)
Net gain (loss) on foreign currencies and other net assets	4	85
Change in unrealized gain (loss) in value of investments	7 120	(1 432)
Transaction costs	—	(166)
NET GAIN (LOSS) ON INVESTMENTS	6 650	(2 318)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 6 403	\$ (917)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 83	\$ (33)
ADVISOR SERIES	\$ 7	\$ (1)
SERIES B	\$ —	\$ (1)
SERIES D	\$ 2 076	\$ (394)
SERIES F	\$ 10	\$ (1)
SERIES O	\$ 4 227	\$ (487)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.42	\$ (0.11)
ADVISOR SERIES	\$ 0.42	\$ (0.11)
SERIES B	\$ 0.43	\$ (0.11)
SERIES D	\$ 0.45	\$ (0.08)
SERIES F	\$ 0.47	\$ (0.07)
SERIES O	\$ 0.50	\$ (0.04)

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

Statements of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 1 583	\$ 1 834	\$ 122	\$ 1	\$ –	\$ 21	\$ 36 198	\$ 47 849
INCREASE (DECREASE) FROM OPERATIONS	83	(33)	7	(1)	–	(1)	2 076	(394)
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	104	286	62	41	–	–	1 792	2 193
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(58)	(60)	(5)	–	–	–	(5 186)	(7 674)
TOTAL UNIT TRANSACTIONS	46	226	57	41	–	–	(3 394)	(5 481)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	129	193	64	40	–	(1)	(1 318)	(5 875)
NET ASSETS – END OF PERIOD	\$ 1 712	\$ 2 027	\$ 186	\$ 41	\$ –	\$ 20	\$ 34 880	\$ 41 974

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 156	\$ 172	\$ 65 408	\$ 107 112	\$ 103 467	\$ 156 989
INCREASE (DECREASE) FROM OPERATIONS	10	(1)	4 227	(487)	6 403	(917)
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	35	230	4 296	15 317	6 289	18 067
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(75)	(93)	(10 037)	(9 559)	(15 361)	(17 386)
TOTAL UNIT TRANSACTIONS	(40)	137	(5 741)	5 758	(9 072)	681
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(30)	136	(1 514)	5 271	(2 669)	(236)
NET ASSETS – END OF PERIOD	\$ 126	\$ 308	\$ 63 894	\$ 112 383	\$ 100 798	\$ 156 753

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

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2011 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
MSCI World ex-Canada Total Return Index (CAD\$) + or -	1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	100 305	–	–	100 305
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	5 281	–	5 281
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	100 305	5 281	–	105 586
% of total portfolio	95.0	5.0	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	102 885	–	–	102 885
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	603	–	603
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	102 885	603	–	103 488
% of total portfolio	99.4	0.6	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

	Until May 23, 2011	Effective May 23, 2011
Series C	0.15%	0.10%
Advisor Series	0.15%	0.10%
Series B	0.15%	0.10%
Series D	0.15%	0.10%
Series F	0.15%	0.10%
Series O	0.11%	0.06%

PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND

June 30, 2012

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	66	66
Advisor Series	128	128
Series B	66	66
Series F	66	66
Series O	67	67
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$91 975. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	222	223
Issued number of units	14	34
Reinvested number of units	—	—
Redeemed number of units	(8)	(7)
Ending number of units	228	250

Advisor Series

Opening units	17	—
Issued number of units	9	5
Reinvested number of units	—	—
Redeemed number of units	(1)	—
Ending number of units	25	5

Series B

Opening units	—	2
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	2

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

	2012	2011
Series D		
Opening units	5 065	5 811
Issued number of units	240	262
Reinvested number of units	—	—
Redeemed number of units	(689)	(925)
Ending number of units	4 616	5 148

Series F

Opening units	22	21
Issued number of units	4	27
Reinvested number of units	—	—
Redeemed number of units	(10)	(11)
Ending number of units	16	37

Series O

Opening units	9 013	12 811
Issued number of units	563	1 811
Reinvested number of units	—	—
Redeemed number of units	(1 296)	(1 124)
Ending number of units	8 280	13 498

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	—	—	166	100
Related-party brokerage commissions*	—	—	—	—
Commission arrangements†	—	—	6	4

* See note 7 in the generic notes.

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

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
GLOBAL EQUITIES				
Australia				
12 599	Newcrest Mining Ltd.	\$ 441	\$ 299	
19 600	Newcrest Mining Ltd. ADR	498	470	
		939	769	0.9
Brazil				
20 800	Petroleo Brasileiro S.A. ADR	396	397	
		396	397	0.5
France				
5 800	Casino Guichard Perrachon S.A.	484	519	
3 200	Ciments Francais S.A.	270	198	
13 350	Compagnie Generale des Etablissements Michelin	991	889	
9 250	Groupe Danone	616	585	
9 730	Renault S.A.	504	396	
31 379	Sanofi	2 364	2 419	
		5 229	5 006	5.9
Germany				
2 977	Muenchener Rueckversicherungs-Gesellschaft AG	372	427	
21 000	Rhoen Klinikum AG	406	500	
		778	927	1.1
Hong Kong				
15 900	Cheung Kong (Holdings) Ltd.	189	200	
176 600	China Mobile (Hong Kong) Ltd.	1 840	1 974	
508 700	First Pacific Co.	324	540	
386 000	NWS Holdings Ltd.	595	575	
31 600	Sun Hung Kai Properties Ltd.	379	382	
4 600	Swire Pacific Ltd. 'A'	48	54	
210 400	The Wharf Holdings Ltd.	1 156	1 191	
		4 531	4 916	5.8
India				
137 800	Anant Raj Industries Ltd.	350	122	
10 653	Hexa Tradex Ltd.	7	8	
324 651	NIIT Ltd.	490	251	
		847	381	0.5
Israel				
23 900	Teva Pharmaceutical Industries Ltd. ADR	980	960	
		980	960	1.1
Italy				
112 300	Intesa Sanpaolo S.p.A.	266	143	
		266	143	0.2

Holdings	Security	Cost	Fair Value	% of Net Assets
Japan				
4 800	Hogy Medical Co. Ltd.	\$ 244	\$ 223	
18 300	Japan Petroleum Exploration Co.	763	709	
178	KDDI Corporation	1 123	1 168	
56 600	Marubeni Corp.	383	384	
21 200	Nippon Seiki Co. Ltd.	308	221	
226	NTT DoCoMo Inc.	385	383	
2 800	Otsuka Corp.	181	243	
29 000	Softbank Corp.	973	1 098	
69 200	Sumitomo Heavy Industries Ltd.	298	317	
		4 658	4 746	5.6
Netherlands				
5 900	Fugro N.V. Dutch Cert	368	364	
20 700	Koninklijke Boskalis Westminster N.V.	776	696	
		1 144	1 060	1.3
Norway				
29 800	StatoilHydro ASA	733	723	
19 300	Yara International ASA	782	860	
		1 515	1 583	1.9
Peru				
4 600	Buenaventura S.A. ADR	192	178	
		192	178	0.2
Russia				
6 400	LUKOIL ADR	386	365	
		386	365	0.4
South Africa				
23 000	Sasol Ltd. ADR	1 121	994	
		1 121	994	1.2
South Korea				
14 075	KT Corp. ADR	304	189	
		304	189	0.2
Spain				
44 120	Mapfre SA	152	91	
		152	91	0.1
Switzerland				
4 400	Adecco S.A.	220	199	
7 600	Aryzta AG	377	385	
35 700	Novartis AG	1 980	2 032	
6 932	Roche Holdings AG Genusscheine	1 153	1 219	
881	Zurich Insurance Group AG	231	203	
		3 961	4 038	4.8

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
United Kingdom				
133 523	Aviva Plc.	\$ 782	\$ 582	
114 900	Barclays Plc.	443	299	
9 500	Berkeley Group Holdings Plc.	191	214	
33 500	BHP Billiton Plc.	971	970	
3 830 500	Cable & Wireless Worldwide Plc.	3 697	2 325	
33 666	Cairn Energy Plc.	154	143	
122 000	Carillion Plc.	620	538	
120 631	Catlin Group Ltd.	726	820	
93 000	Firstgroup Plc.	481	334	
281 100	G4S Plc.	1 130	1 251	
137 500	HSBC Holdings Plc. (U.K. Reg.)	1 220	1 234	
10 900	Reckitt Benckiser Plc.	622	587	
49 474	TUI Travel Plc.	176	134	
11 751	Unilever Plc.	367	402	
		11 580	9 833	11.6

United States				
26 168	Aflac Inc.	1 256	1 134	
31 891	AllianceBernstein Holding LP	473	412	
10 432	Apache Corp.	1 002	933	
815	Apple Inc.	459	485	
21 879	Becton Dickinson & Co.	1 682	1 664	
19 575	Brown & Brown Inc.	428	543	
23 158	Cincinnati Financial Corp.	766	897	
97 519	Cisco Systems Inc.	2 134	1 705	
8 832	Cliffs Natural Resources Inc.	447	443	
29 954	CVS Corp.	1 086	1 425	
33 959	Danaher Corp.	1 570	1 800	
34 321	Emerson Electric Co.	1 711	1 628	
18 670	GameStop Corp., Class A	393	349	
14 783	General Motors Co.	451	297	
14 705	Gilead Sciences Inc.	613	767	
2 244	Google Inc., Class A	1 311	1 325	
30 479	HollyFrontier Corp.	681	1 100	
25 057	Illinois Tool Works Inc.	1 305	1 349	
30 067	Intel Corp.	724	815	
7 484	International Business Machines	1 296	1 489	
54 870	Johnson Controls Inc.	1 660	1 547	
15 266	McGraw-Hill Companies Inc.	571	699	
45 004	Microsoft Corp.	1 260	1 400	
52 599	Nabors Industries Ltd.	1 151	771	
41 485	Noble Corp.	1 502	1 373	
11 561	Nucor Corp.	524	446	
17 299	Oracle Corporation	499	523	
26 874	PepsiCo Inc.	1 733	1 933	
5 825	ProAssurance Corp.	486	528	
9 345	QUALCOMM Inc.	519	529	
46 391	Scansource Inc.	1 409	1 445	
24 407	Sempra Energy	1 373	1 711	
62 270	Sysco Corp.	1 884	1 889	

Holdings	Security	Cost	Fair Value	% of Net Assets
United States (cont.)				
15 143	The Mosaic Co.	\$ 823	\$ 844	
74 404	The Progressive Corp.	1 531	1 578	
18 637	Tidewater Inc.	993	879	
18 942	Varian Medical Systems Inc.	1 070	1 172	
48 712	VCA Antech Inc.	985	1 091	
17 609	Waters Corp.	1 408	1 424	
12 728	WellPoint Inc.	794	827	
		41 963	43 169	51.1
TOTAL GLOBAL EQUITIES		80 942	79 745	94.4
SHORT-TERM INVESTMENTS*		1 825	1 824	2.2
TOTAL INVESTMENTS		\$ 82 767	81 569	96.6
OTHER NET ASSETS			2 950	3.4
NET ASSETS			\$ 84 519	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.14% to 1.00% and mature on July 3, 2012.

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 81 569	\$ 61 414
Cash	2 666	2 035
Due from investment dealers	169	–
Subscriptions receivable	55	1
Dividends receivable, interest accrued and other assets	96	97
TOTAL ASSETS	84 555	63 547
LIABILITIES		
Redemptions payable	19	–
Accounts payable and accrued expenses	17	15
TOTAL LIABILITIES	36	15
NET ASSETS	\$ 84 519	\$ 63 532
Investments at cost	\$ 82 767	\$ 66 609
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 381	\$ 378
ADVISOR SERIES	\$ 122	\$ 67
SERIES D	\$ 6 010	\$ 5 653
SERIES F	\$ 34	\$ 40
SERIES O	\$ 77 972	\$ 57 394
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 7.96	\$ 7.61
ADVISOR SERIES	\$ 7.96	\$ 7.61
SERIES D	\$ 7.94	\$ 7.56
SERIES F	\$ 7.94	\$ 7.55
SERIES O	\$ 8.11	\$ 7.67
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 7.96	\$ 7.61
ADVISOR SERIES	\$ 7.96	\$ 7.61
SERIES D	\$ 7.94	\$ 7.56
SERIES F	\$ 7.94	\$ 7.55
SERIES O	\$ 8.11	\$ 7.68

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 263	\$ 1 242
Interest	3	5
Securities lending revenue (see note 6 in the generic notes)	16	19
Foreign withholding taxes	(173)	(121)
TOTAL INCOME (LOSS)	1 109	1 145
EXPENSES (see notes – Fund Specific Information)		
Management fees	35	36
Administration fees	53	50
Board of Governors costs	2	2
GST/HST	10	10
TOTAL EXPENSES	100	98
NET INVESTMENT INCOME (LOSS)	1 009	1 047
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	(1 335)	1 020
Net gain (loss) on foreign currencies and other net assets	(33)	(26)
Change in unrealized gain (loss) in value of investments	3 997	(2 279)
Transaction costs	(132)	(55)
NET GAIN (LOSS) ON INVESTMENTS	2 497	(1 340)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 3 506	\$ (293)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 14	\$ (6)
ADVISOR SERIES	\$ 2	\$ –
SERIES D	\$ 281	\$ (64)
SERIES F	\$ 3	\$ –
SERIES O	\$ 3 206	\$ (223)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.32	\$ (0.12)
ADVISOR SERIES	\$ 0.32	\$ (0.12)
SERIES D	\$ 0.35	\$ (0.08)
SERIES F	\$ 0.36	\$ (0.07)
SERIES O	\$ 0.39	\$ (0.04)

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director


Doug Coulter
Director

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Changes in Net Assets (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 378	\$ 398	\$ 67	\$ 1	\$ 5 653	\$ 6 212	\$ 40	\$ 1
INCREASE (DECREASE) FROM OPERATIONS	14	(6)	2	–	281	(64)	3	–
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	90	47	70	35	404	571	19	15
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(101)	(7)	(17)	–	(328)	(269)	(28)	–
TOTAL UNIT TRANSACTIONS	(11)	40	53	35	76	302	(9)	15
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	3	34	55	35	357	238	(6)	15
NET ASSETS – END OF PERIOD	\$ 381	\$ 432	\$ 122	\$ 36	\$ 6 010	\$ 6 450	\$ 34	\$ 16

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 57 394	\$ 56 474	\$ 63 532	\$ 63 086
INCREASE (DECREASE) FROM OPERATIONS	3 206	(223)	3 506	(293)
Early redemption fees	–	–	–	–
Proceeds from units issued	19 935	8 256	20 518	8 924
Proceeds from reinvestment of distributions	–	–	–	–
Payments on redemption of units	(2 563)	(3 469)	(3 037)	(3 745)
TOTAL UNIT TRANSACTIONS	17 372	4 787	17 481	5 179
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	20 578	4 564	20 987	4 886
NET ASSETS – END OF PERIOD	\$ 77 972	\$ 61 038	\$ 84 519	\$ 67 972

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

Investment Management™

June 30, 2012

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

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

	June 30 2012	December 31 2011
Currency		
United States dollar	57.8	59.7
Pound sterling	11.6	10.9
Euro	8.6	13.2
Hong Kong dollar	5.8	2.7
Japanese yen	5.6	4.2
Swiss franc	4.8	4.0
Norwegian krone	1.9	1.1
Indian rupee	0.5	0.8
Australian dollar	0.4	1.5
Other currencies	—	0.5
Total	97.0	98.6

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2011 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
MSCI World (Developed Markets) Index, ex-Canada CAD\$	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	46 357	33 388	—	79 745
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	1 824	—	1 824
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	46 357	35 212	—	81 569
% of total portfolio	56.8	43.2	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	37 181	23 411	—	60 592
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	822	—	822
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	37 181	24 233	—	61 414
% of total portfolio	60.5	39.5	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series B	1.85%
Series D	1.00%
Series F	0.75%

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.15%
Advisor Series	0.15%
Series B	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.15%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	61	61
Advisor Series	118	118
Series D	62	62
Series F	63	63
Series O	62	62
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$13 128. The Fund had no non-capital losses.

Unitholders' equity (000s)

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
Series C		
Opening units	50	46
Issued number of units	11	6
Reinvested number of units	—	—
Redeemed number of units	(13)	(1)
Ending number of units	48	51
Advisor Series		
Opening units	9	—
Issued number of units	8	4
Reinvested number of units	—	—
Redeemed number of units	(2)	—
Ending number of units	15	4
Series D		
Opening units	748	722
Issued number of units	50	66
Reinvested number of units	—	—
Redeemed number of units	(41)	(31)
Ending number of units	757	757
Series F		
Opening units	5	—
Issued number of units	3	2
Reinvested number of units	—	—
Redeemed number of units	(4)	—
Ending number of units	4	2
Series O		
Opening units	7 478	6 464
Issued number of units	2 456	946
Reinvested number of units	—	—
Redeemed number of units	(318)	(395)
Ending number of units	9 616	7 015

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

June 30, 2012

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	132	100	55	100
Related-party brokerage commissions*	—	—	—	—
Commission arrangements†	11	8	3	5

* See note 7 in the generic notes.

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

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

Commencing in September 2010, the Fund has entered into a securities lending program with its custodian, RBC Dexia Investor Services Trust.

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

	June 30 2012		June 30 2011	
	\$		\$	
Fair value of securities loaned	5 198		6 356	
Fair value of collateral received	5 458		6 674	

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

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

	June 30 2012	December 31 2011
Series 0		
Phillips, Hager & North Community Values		
Balanced Fund	427	448

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

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

PHILLIPS, HAGER & NORTH LIFETIME 2015 FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
785	Vanguard Real Estate Investment Trust Fund	\$ 47	\$ 52	
TOTAL UNITED STATES EQUITIES		47	52	4.0
MUTUAL FUND UNITS				
519	Phillips, Hager & North Canadian Money Market Fund*	5	5	
27 548	Phillips, Hager & North Bond Fund*	291	296	
6 412	Phillips, Hager & North High Yield Bond Fund*	74	74	
6 740	Phillips, Hager & North Short Inflation-linked Bond Fund*	72	74	
24 544	Phillips, Hager & North Long Inflation-linked Bond Fund*	279	300	
6 773	Phillips, Hager & North Canadian Equity Value Fund*	76	74	
8 089	Phillips, Hager & North Canadian Equity Underlying Fund*	77	72	
14 466	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	168	173	
9 910	Phillips, Hager & North Overseas Equity Fund*	92	86	
7 459	RBC International Equity Fund*	88	85	
TOTAL MUTUAL FUND UNITS		1 222	1 239	95.3
TOTAL INVESTMENTS		\$ 1 269	1 291	99.3
OTHER NET ASSETS			9	0.7
NET ASSETS		\$ 1 300	1 300	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 1 291	\$ 595
Cash	8	3
Due from investment dealers	—	1
Subscriptions receivable	17	1
Dividends receivable, interest accrued and other assets	1	—
TOTAL ASSETS	1 317	600
LIABILITIES		
Due to investment dealers	16	2
Accounts payable and accrued expenses	1	—
TOTAL LIABILITIES	17	2
NET ASSETS	\$ 1 300	\$ 598
Investments at cost	\$ 1 269	\$ 590
NET ASSETS PER SERIES, END OF PERIOD		
SERIES D	\$ 818	\$ 212
SERIES O	\$ 482	\$ 386
NET ASSETS PER UNIT, END OF PERIOD		
SERIES D	\$ 10.54	\$ 10.19
SERIES O	\$ 10.55	\$ 10.15
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES D	\$ 10.54	\$ 10.19
SERIES O	\$ 10.55	\$ 10.15

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ 8	\$ 2
Dividends	1	4
TOTAL INCOME (LOSS)	9	6
EXPENSES (see notes – Fund Specific Information)		
Management fees	2	—
Board of Governors costs	2	2
TOTAL EXPENSES	4	2
Less expenses reimbursed by manager	(2)	—
TOTAL EXPENSES NET OF REIMBURSEMENTS	2	—
NET INVESTMENT INCOME (LOSS)	7	4
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	4	—
Change in unrealized gain (loss) in value of investments	17	7
NET GAIN (LOSS) ON INVESTMENTS	21	7
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 28	\$ 11
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES D	\$ 11	\$ —
SERIES O	\$ 17	\$ 11
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES D	\$ 0.23	\$ 0.01
SERIES O	\$ 0.33	\$ 0.30

* Fund launched January 2011; Series D launched June 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series D		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 212	\$ –	\$ 386	\$ –	\$ 598	\$ –
INCREASE (DECREASE) FROM OPERATIONS	11	–	17	11	28	11
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	781	1	101	339	882	340
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(186)	–	(22)	(3)	(208)	(3)
TOTAL UNIT TRANSACTIONS	595	1	79	336	674	337
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	606	1	96	347	702	348
NET ASSETS – END OF PERIOD	\$ 818	\$ 1	\$ 482	\$ 347	\$ 1 300	\$ 348

* Fund launched January 2011; Series D launched June 2011.

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 7.9% (December 31, 2011 – 8.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2011 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.3	+ or - 0.3
MSCI EAFE Total Return Index CAD\$	+ or - 0.2	+ or - 0.4

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	52	–	–	52
Mutual fund units	1 239	–	–	1 239
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 291	–	–	1 291
% of total portfolio	100.0	–	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	25	–	–	25
Mutual fund units	570	–	–	570
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	595	–	–	595
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

The management fee payable by Series D of the Fund is calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.80%
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June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series D	51	51
Series O	15 723	15 723
Value of all units	\$ 166	\$ 160

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series D		
Opening units	21	—
Issued number of units	75	—
Reinvested number of units	—	—
Redeemed number of units	(18)	—
Ending number of units	78	—

Series O		
Opening units	38	—
Issued number of units	10	33
Reinvested number of units	—	—
Redeemed number of units	(2)	—
Ending number of units	46	33

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North Bond Fund	\$ 6	\$ 2
Phillips, Hager & North High Yield Bond Fund	2	—
Total other revenue	\$ 8	\$ 2
Capital gains received from underlying funds	\$ —	\$ —

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

PHILLIPS, HAGER & NORTH LIFETIME 2020 FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
1 682	Vanguard Real Estate Investment Trust Fund	\$ 98	\$ 112	
TOTAL UNITED STATES EQUITIES		98	112	5.1
MUTUAL FUND UNITS				
991	Phillips, Hager & North Canadian Money Market Fund*	10	10	
21 192	Phillips, Hager & North Bond Fund*	225	228	
9 859	Phillips, Hager & North High Yield Bond Fund*	114	114	
5 178	Phillips, Hager & North Short Inflation-linked Bond Fund*	56	57	
61 250	Phillips, Hager & North Long Inflation-linked Bond Fund*	700	749	
12 710	Phillips, Hager & North Canadian Equity Value Fund*	141	138	
15 226	Phillips, Hager & North Canadian Equity Underlying Fund*	143	136	
27 131	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	306	324	
18 590	Phillips, Hager & North Overseas Equity Fund*	169	161	
14 030	RBC International Equity Fund*	163	160	
TOTAL MUTUAL FUND UNITS		2 027	2 077	94.4
TOTAL INVESTMENTS		\$ 2 125	2 189	99.5
OTHER NET ASSETS			12	0.5
NET ASSETS		\$ 2 201	2 201	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 2 189	\$ 1 218
Cash	14	7
Due from investment dealers	–	1
Subscriptions receivable	15	1
TOTAL ASSETS	2 218	1 227
LIABILITIES		
Due to investment dealers	16	2
Accounts payable and accrued expenses	1	–
TOTAL LIABILITIES	17	2
NET ASSETS	\$ 2 201	\$ 1 225
Investments at cost	\$ 2 125	\$ 1 201
NET ASSETS PER SERIES, END OF PERIOD		
SERIES D	\$ 1 264	\$ 504
SERIES O	\$ 937	\$ 721
NET ASSETS PER UNIT, END OF PERIOD		
SERIES D	\$ 10.77	\$ 10.41
SERIES O	\$ 10.77	\$ 10.35
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES D	\$ 10.78	\$ 10.41
SERIES O	\$ 10.77	\$ 10.35

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ 6	\$ 2
Dividends	3	2
TOTAL INCOME (LOSS)	9	4
EXPENSES (see notes – Fund Specific Information)		
Management fees	4	–
Board of Governors costs	2	2
GST/HST	1	–
TOTAL EXPENSES	7	2
Less expenses reimbursed by manager	(2)	–
TOTAL EXPENSES NET OF REIMBURSEMENTS	5	–
NET INVESTMENT INCOME (LOSS)	4	2
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	6	–
Change in unrealized gain (loss) in value of investments	47	11
NET GAIN (LOSS) ON INVESTMENTS	53	11
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 57	\$ 13
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES D	\$ 25	\$ –
SERIES O	\$ 32	\$ 13
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES D	\$ 0.33	\$ 0.01
SERIES O	\$ 0.39	\$ 0.33

* Fund launched January 2011; Series D launched June 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series D		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 504	\$ –	\$ 721	\$ –	\$ 1 225	\$ –
INCREASE (DECREASE) FROM OPERATIONS	25	–	32	13	57	13
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	771	1	200	510	971	511
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(36)	–	(16)	(2)	(52)	(2)
TOTAL UNIT TRANSACTIONS	735	1	184	508	919	509
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	760	1	216	521	976	522
NET ASSETS – END OF PERIOD	\$ 1 264	\$ 1	\$ 937	\$ 521	\$ 2 201	\$ 522

* Fund launched January 2011; Series D launched June 2011.

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 9.7% (December 31, 2011 – 10.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2011 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.3	+ or - 0.3
MSCI EAFE Total Return Index CAD\$	+ or - 0.3	+ or - 0.4

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	112	–	–	112
Mutual fund units	2 077	–	–	2 077
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 189	–	–	2 189
% of total portfolio	100.0	–	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	61	–	–	61
Mutual fund units	1 157	–	–	1 157
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 218	–	–	1 218
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

The management fee payable by Series D of the Fund is calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.85%
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June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series D	50	50
Series O	15 620	15 620
Value of all units	\$ 169	\$ 162

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series D		
Opening units	48	—
Issued number of units	72	—
Reinvested number of units	—	—
Redeemed number of units	(3)	—
Ending number of units	117	—

Series O		
Opening units	70	—
Issued number of units	19	50
Reinvested number of units	—	—
Redeemed number of units	(2)	—
Ending number of units	87	50

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North Bond Fund	\$ 3	\$ 1
Phillips, Hager & North High Yield Bond Fund	3	1
Total other revenue	\$ 6	\$ 2
Capital gains received from underlying funds	\$ —	\$ —

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

PHILLIPS, HAGER & NORTH LIFETIME 2025 FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
2 289	Vanguard Real Estate Investment Trust Fund	\$ 134	\$ 152	
TOTAL UNITED STATES EQUITIES		134	152	5.0
MUTUAL FUND UNITS				
1 372	Phillips, Hager & North Canadian Money Market Fund*	14	14	
7 167	Phillips, Hager & North Bond Fund*	76	77	
20 011	Phillips, Hager & North High Yield Bond Fund*	230	232	
101 975	Phillips, Hager & North Long Inflation-linked Bond Fund*	1 172	1 248	
17 892	Phillips, Hager & North Canadian Equity Value Fund*	197	194	
21 411	Phillips, Hager & North Canadian Equity Underlying Fund*	201	191	
38 240	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	433	456	
26 067	Phillips, Hager & North Overseas Equity Fund*	236	226	
19 763	RBC International Equity Fund*	228	225	
TOTAL MUTUAL FUND UNITS		2 787	2 863	94.4
TOTAL INVESTMENTS		\$ 2 921	3 015	99.4
OTHER NET ASSETS			19	0.6
NET ASSETS			\$ 3 034	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 3 015	\$ 1 476
Cash	17	8
Subscriptions receivable	47	151
Dividends receivable, interest accrued and other assets	1	—
TOTAL ASSETS	3 080	1 635
LIABILITIES		
Due to investment dealers	45	149
Accounts payable and accrued expenses	1	—
TOTAL LIABILITIES	46	149
NET ASSETS	\$ 3 034	\$ 1 486
Investments at cost	\$ 2 921	\$ 1 449
NET ASSETS PER SERIES, END OF PERIOD		
SERIES D	\$ 1 178	\$ 383
SERIES O	\$ 1 856	\$ 1 103
NET ASSETS PER UNIT, END OF PERIOD		
SERIES D	\$ 10.83	\$ 10.44
SERIES O	\$ 10.83	\$ 10.38
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES D	\$ 10.83	\$ 10.44
SERIES O	\$ 10.83	\$ 10.39

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ 7	\$ 2
Dividends	4	2
TOTAL INCOME (LOSS)	11	4
EXPENSES (see notes – Fund Specific Information)		
Management fees	4	—
Administration fees	1	—
Board of Governors costs	2	2
TOTAL EXPENSES	7	2
Less expenses reimbursed by manager	(2)	—
TOTAL EXPENSES NET OF REIMBURSEMENTS	5	—
NET INVESTMENT INCOME (LOSS)	6	2
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	3	1
Change in unrealized gain (loss) in value of investments	67	22
NET GAIN (LOSS) ON INVESTMENTS	70	23
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 76	\$ 25
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES D	\$ 22	\$ —
SERIES O	\$ 54	\$ 25
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES D	\$ 0.30	\$ 0.01
SERIES O	\$ 0.35	\$ 0.45

* Fund launched January 2011; Series D launched June 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series D		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 383	\$ –	\$ 1 103	\$ –	\$ 1 486	\$ –
INCREASE (DECREASE) FROM OPERATIONS	22	–	54	25	76	25
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	813	1	729	667	1 542	668
Proceeds from reinvestment of distributions	–	–	5	–	5	–
Payments on redemption of units	(40)	–	(30)	(1)	(70)	(1)
TOTAL UNIT TRANSACTIONS	773	1	704	666	1 477	667
Distributions from net income	–	–	(5)	–	(5)	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	(5)	–	(5)	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	795	1	753	691	1 548	692
NET ASSETS – END OF PERIOD	\$ 1 178	\$ 1	\$ 1 856	\$ 691	\$ 3 034	\$ 692

* Fund launched January 2011; Series D launched June 2011.

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 10.9% (December 31, 2011 – 10.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2011 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.3	+ or - 0.4
MSCI EAFE Total Return Index CAD\$	+ or - 0.3	+ or - 0.4

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	152	–	–	152
Mutual fund units	2 863	–	–	2 863
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 015	–	–	3 015
% of total portfolio	100.0	–	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	73	–	–	73
Mutual fund units	1 403	–	–	1 403
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 476	–	–	1 476
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

The management fee payable by Series D of the Fund is calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.90%
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June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series D	50	50
Series O	15 574	15 574
Value of all units	\$ 169	\$ 162

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series D		
Opening units	37	—
Issued number of units	76	—
Reinvested number of units	—	—
Redeemed number of units	(4)	—
Ending number of units	109	—

Series O		
Opening units	106	—
Issued number of units	67	66
Reinvested number of units	1	—
Redeemed number of units	(3)	—
Ending number of units	171	66

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North Bond Fund	\$ 2	\$ —
Phillips, Hager & North High Yield Bond Fund	5	2
Total other revenue	\$ 7	\$ 2
Capital gains received from underlying funds	\$ —	\$ —

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

PHILLIPS, HAGER & NORTH LIFETIME 2030 FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
1 344	Vanguard Real Estate Investment Trust Fund	\$ 78	\$ 90	
TOTAL UNITED STATES EQUITIES		78	90	5.1
MUTUAL FUND UNITS				
801	Phillips, Hager & North Canadian Money Market Fund*	8	8	
14 397	Phillips, Hager & North High Yield Bond Fund*	165	167	
54 999	Phillips, Hager & North Long Inflation-linked Bond Fund*	614	673	
11 479	Phillips, Hager & North Canadian Equity Value Fund*	128	125	
13 824	Phillips, Hager & North Canadian Equity Underlying Fund*	131	123	
24 519	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	280	292	
16 882	Phillips, Hager & North Overseas Equity Fund*	157	146	
12 671	RBC International Equity Fund*	149	144	
TOTAL MUTUAL FUND UNITS		1 632	1 678	94.4
TOTAL INVESTMENTS		\$ 1 710	1 768	99.5
OTHER NET ASSETS			10	0.5
NET ASSETS		\$ 1 778	1 778	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 1 768	\$ 1 005
Cash	10	7
Due from investment dealers	1	1
Subscriptions receivable	6	6
TOTAL ASSETS	1 785	1 019
LIABILITIES		
Due to investment dealers	6	6
Redemptions payable	1	–
TOTAL LIABILITIES	7	6
NET ASSETS	\$ 1 778	\$ 1 013
Investments at cost	\$ 1 710	\$ 992
NET ASSETS PER SERIES, END OF PERIOD		
SERIES D	\$ 479	\$ 58
SERIES O	\$ 1 299	\$ 955
NET ASSETS PER UNIT, END OF PERIOD		
SERIES D	\$ 10.69	\$ 10.30
SERIES O	\$ 10.69	\$ 10.24
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES D	\$ 10.69	\$ 10.30
SERIES O	\$ 10.69	\$ 10.24

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ 4	\$ 2
Dividends	1	2
TOTAL INCOME (LOSS)	5	4
EXPENSES (see notes – Fund Specific Information)		
Management fees	1	–
Board of Governors costs	2	2
TOTAL EXPENSES	3	2
Less expenses reimbursed by manager	(2)	–
TOTAL EXPENSES NET OF REIMBURSEMENTS	1	–
NET INVESTMENT INCOME (LOSS)	4	2
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on investments	1	1
Change in unrealized gain (loss) in value of investments	45	14
NET GAIN (LOSS) ON INVESTMENTS	46	15
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$ 50	\$ 17
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS		
SERIES D	\$ 6	\$ –
SERIES O	\$ 44	\$ 17
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS PER UNIT		
SERIES D	\$ 0.30	\$ 0.01
SERIES O	\$ 0.40	\$ 0.32

* Fund launched January 2011; Series D launched June 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series D		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 58	\$ –	\$ 955	\$ –	\$ 1 013	\$ –
INCREASE (DECREASE) FROM OPERATIONS	6	–	44	17	50	17
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	427	1	302	724	729	725
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(12)	–	(2)	(1)	(14)	(1)
TOTAL UNIT TRANSACTIONS	415	1	300	723	715	724
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	421	1	344	740	765	741
NET ASSETS – END OF PERIOD	\$ 479	\$ 1	\$ 1 299	\$ 740	\$ 1 778	\$ 741

* Fund launched January 2011; Series D launched June 2011.

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 10.0% (December 31, 2011 – 9.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.4% (December 31, 2011 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.3	+ or - 0.4
MSCI EAFE Total Return Index CAD\$	+ or - 0.3	+ or - 0.5

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	90	–	–	90
Mutual fund units	1 678	–	–	1 678
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 768	–	–	1 768
% of total portfolio	100.0	–	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	50	–	–	50
Mutual fund units	955	–	–	955
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 005	–	–	1 005
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

The management fee payable by Series D of the Fund is calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.95%
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June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series D	50	50
Series O	15 631	15 631
Value of all units	\$ 168	\$ 161

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series D		
Opening units	6	—
Issued number of units	40	—
Reinvested number of units	—	—
Redeemed number of units	(1)	—
Ending number of units	45	—

Series O		
Opening units	93	—
Issued number of units	29	71
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	122	71

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North High Yield Bond Fund	\$ 4	\$ 2
Total other revenue	\$ 4	\$ 2
Capital gains received from underlying funds	\$ —	\$ —

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

PHILLIPS, HAGER & NORTH LIFETIME 2035 FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
1 722	Vanguard Real Estate Investment Trust Fund	\$ 104	\$ 115	
TOTAL UNITED STATES EQUITIES		104	115	5.1
MUTUAL FUND UNITS				
682	Phillips, Hager & North Canadian Money Market Fund*	7	7	
15 952	Phillips, Hager & North High Yield Bond Fund*	185	185	
60 506	Phillips, Hager & North Long Inflation-linked Bond Fund*	700	740	
16 743	Phillips, Hager & North Canadian Equity Value Fund*	185	182	
20 171	Phillips, Hager & North Canadian Equity Underlying Fund*	188	180	
35 666	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	412	425	
24 589	Phillips, Hager & North Overseas Equity Fund*	223	213	
18 560	RBC International Equity Fund*	215	211	
TOTAL MUTUAL FUND UNITS		2 115	2 143	94.2
TOTAL INVESTMENTS		\$ 2 219	2 258	99.3
OTHER NET ASSETS			17	0.7
NET ASSETS		\$ 2 275	2 275	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 2 258	\$ 880
Cash	19	7
Subscriptions receivable	12	4
Dividends receivable, interest accrued and other assets	1	1
TOTAL ASSETS	2 290	892
LIABILITIES		
Due to investment dealers	14	5
Accounts payable and accrued expenses	1	–
TOTAL LIABILITIES	15	5
NET ASSETS	\$ 2 275	\$ 887
Investments at cost	\$ 2 219	\$ 884
NET ASSETS PER SERIES, END OF PERIOD		
SERIES D	\$ 986	\$ 112
SERIES O	\$ 1 289	\$ 775
NET ASSETS PER UNIT, END OF PERIOD		
SERIES D	\$ 10.61	\$ 10.20
SERIES O	\$ 10.61	\$ 10.14
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES D	\$ 10.61	\$ 10.20
SERIES O	\$ 10.60	\$ 10.14

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ 4	\$ 1
Dividends	1	1
TOTAL INCOME (LOSS)	5	2
EXPENSES (see notes – Fund Specific Information)		
Management fees	2	–
Board of Governors costs	2	2
TOTAL EXPENSES	4	2
Less expenses reimbursed by manager	(2)	–
TOTAL EXPENSES NET OF REIMBURSEMENTS	2	–
NET INVESTMENT INCOME (LOSS)	3	–
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	3	1
Change in unrealized gain (loss) in value of investments	43	11
NET GAIN (LOSS) ON INVESTMENTS	46	12
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
	\$ 49	\$ 12
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES D	\$ 8	\$ –
SERIES O	\$ 41	\$ 12
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES D	\$ 0.32	\$ 0.01
SERIES O	\$ 0.41	\$ 0.26

* Fund launched January 2011; Series D launched June 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series D		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 112	\$ –	\$ 775	\$ –	\$ 887	\$ –
INCREASE (DECREASE) FROM OPERATIONS	8	–	41	12	49	12
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	868	1	544	646	1 412	647
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(2)	–	(71)	–	(73)	–
TOTAL UNIT TRANSACTIONS	866	1	473	646	1 339	647
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	874	1	514	658	1 388	659
NET ASSETS – END OF PERIOD	\$ 986	\$ 1	\$ 1 289	\$ 658	\$ 2 275	\$ 659

* Fund launched January 2011; Series D launched June 2011.

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 8.5% (December 31, 2011 – 8.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.4% (December 31, 2011 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.4	+ or - 0.4
MSCI EAFE Total Return Index CAD\$	+ or - 0.4	+ or - 0.5

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	115	–	–	115
Mutual fund units	2 143	–	–	2 143
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 258	–	–	2 258
% of total portfolio	100.0	–	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	44	–	–	44
Mutual fund units	836	–	–	836
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	880	–	–	880
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

The management fee payable by Series D of the Fund is calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	1.00%
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June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series D	50	50
Series O	15 571	15 571
Value of all units	\$ 166	\$ 158

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series D		
Opening units	11	—
Issued number of units	82	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	93	—

Series O		
Opening units	76	—
Issued number of units	53	63
Reinvested number of units	—	—
Redeemed number of units	(7)	—
Ending number of units	122	63

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North High Yield Bond Fund	\$ 4	\$ 1
Total other revenue	\$ 4	\$ 1
Capital gains received from underlying funds	\$ —	\$ —

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

PHILLIPS, HAGER & NORTH LIFETIME 2040 FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
1 424	Vanguard Real Estate Investment Trust Fund	\$ 83	\$ 95	
TOTAL UNITED STATES EQUITIES		83	95	5.1
MUTUAL FUND UNITS				
818	Phillips, Hager & North Canadian Money Market Fund*	8	8	
9 938	Phillips, Hager & North High Yield Bond Fund*	114	115	
38 003	Phillips, Hager & North Long Inflation-linked Bond Fund*	421	465	
16 134	Phillips, Hager & North Canadian Equity Value Fund*	182	175	
19 301	Phillips, Hager & North Canadian Equity Underlying Fund*	187	172	
34 454	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	393	411	
23 565	Phillips, Hager & North Overseas Equity Fund*	225	204	
17 799	RBC International Equity Fund*	211	203	
TOTAL MUTUAL FUND UNITS		1 741	1 753	94.2
TOTAL INVESTMENTS		\$ 1 824	1 848	99.3
OTHER NET ASSETS			13	0.7
NET ASSETS			\$ 1 861	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 1 848	\$ 1 309
Cash	12	7
Due from investment dealers	—	1
Subscriptions receivable	9	80
Dividends receivable, interest accrued and other assets	—	1
TOTAL ASSETS	1 869	1 398
LIABILITIES		
Due to investment dealers	8	77
TOTAL LIABILITIES	8	77
NET ASSETS	\$ 1 861	\$ 1 321
Investments at cost	\$ 1 824	\$ 1 349
NET ASSETS PER SERIES, END OF PERIOD		
SERIES D	\$ 374	\$ 117
SERIES O	\$ 1 487	\$ 1 204
NET ASSETS PER UNIT, END OF PERIOD		
SERIES D	\$ 10.33	\$ 9.91
SERIES O	\$ 10.33	\$ 9.85
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES D	\$ 10.33	\$ 9.90
SERIES O	\$ 10.32	\$ 9.84

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ 3	\$ 2
Dividends	—	1
TOTAL INCOME (LOSS)	3	3
EXPENSES (see notes – Fund Specific Information)		
Management fees	1	—
Board of Governors costs	2	2
TOTAL EXPENSES	3	2
Less expenses reimbursed by manager	(2)	—
TOTAL EXPENSES NET OF REIMBURSEMENTS	1	—
NET INVESTMENT INCOME (LOSS)	2	1
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	—	1
Change in unrealized gain (loss) in value of investments	64	9
NET GAIN (LOSS) ON INVESTMENTS	64	10
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
	\$ 66	\$ 11
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES D	\$ 6	\$ —
SERIES O	\$ 60	\$ 11
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES D	\$ 0.36	\$ —
SERIES O	\$ 0.43	\$ 0.15

* Fund launched January 2011; Series D launched June 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series D		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 117	\$ –	\$ 1 204	\$ –	\$ 1 321	\$ –
INCREASE (DECREASE) FROM OPERATIONS	6	–	60	11	66	11
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	289	1	319	994	608	995
Proceeds from reinvestment of distributions	–	–	2	–	2	–
Payments on redemption of units	(38)	–	(96)	(1)	(134)	(1)
TOTAL UNIT TRANSACTIONS	251	1	225	993	476	994
Distributions from net income	–	–	(2)	–	(2)	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	(2)	–	(2)	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	257	1	283	1 004	540	1 005
NET ASSETS – END OF PERIOD	\$ 374	\$ 1	\$ 1 487	\$ 1 004	\$ 1 861	\$ 1 005

* Fund launched January 2011; Series D launched June 2011.

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.5% (December 31, 2011 – 5.9%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.5% (December 31, 2011 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

		June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or -	0.5	+ or - 0.5
MSCI EAFE Total Return Index CAD\$	+ or -	0.5	+ 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 June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	95	–	–	95
Mutual fund units	1 753	–	–	1 753
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 848	–	–	1 848
% of total portfolio	100.0	–	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	65	–	–	65
Mutual fund units	1 244	–	–	1 244
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 309	–	–	1 309
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

The management fee payable by Series D of the Fund is calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	1.05%
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June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series D	50	50
Series O	15 495	15 495
Value of all units	\$ 160	\$ 153

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series D		
Opening units	12	—
Issued number of units	28	—
Reinvested number of units	—	—
Redeemed number of units	(4)	—
Ending number of units	36	—
Series O		
Opening units	122	—
Issued number of units	31	97
Reinvested number of units	—	—
Redeemed number of units	(9)	—
Ending number of units	144	97

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North High Yield Bond Fund	\$ 3	\$ 2
Total other revenue	\$ 3	\$ 2
Capital gains received from underlying funds	\$ —	\$ —

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

PHILLIPS, HAGER & NORTH LIFETIME 2045 FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
787	Vanguard Real Estate Investment Trust Fund	\$ 46	\$ 52	
TOTAL UNITED STATES EQUITIES		46	52	5.0
MUTUAL FUND UNITS				
485	Phillips, Hager & North Canadian Money Market Fund*	5	5	
3 892	Phillips, Hager & North High Yield Bond Fund*	45	45	
14 890	Phillips, Hager & North Long Inflation-linked Bond Fund*	165	182	
10 287	Phillips, Hager & North Canadian Equity Value Fund*	116	113	
12 415	Phillips, Hager & North Canadian Equity Underlying Fund*	118	111	
21 998	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	251	262	
15 108	Phillips, Hager & North Overseas Equity Fund*	142	131	
11 349	RBC International Equity Fund*	134	129	
TOTAL MUTUAL FUND UNITS		976	978	94.4
TOTAL INVESTMENTS		\$ 1 022	1 030	99.4
OTHER NET ASSETS			6	0.6
NET ASSETS		\$ 1 036	1 036	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 1 030	\$ 654
Cash	6	5
Subscriptions receivable	8	4
Dividends receivable, interest accrued and other assets	—	1
TOTAL ASSETS	1 044	664
LIABILITIES		
Due to investment dealers	8	5
TOTAL LIABILITIES	8	5
NET ASSETS	\$ 1 036	\$ 659
Investments at cost	\$ 1 022	\$ 677
NET ASSETS PER SERIES, END OF PERIOD		
SERIES D	\$ 280	\$ 122
SERIES O	\$ 756	\$ 537
NET ASSETS PER UNIT, END OF PERIOD		
SERIES D	\$ 10.18	\$ 9.74
SERIES O	\$ 10.18	\$ 9.69
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES D	\$ 10.18	\$ 9.74
SERIES O	\$ 10.18	\$ 9.69

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

For the periods ended June 30 (see note 2 in the generic notes)*	2012	2011
INCOME (see note 3 in the generic notes)		
Other revenue	\$ —	\$ 1
Dividends	—	2
TOTAL INCOME (LOSS)	—	3
EXPENSES (see notes – Fund Specific Information)		
Management fees	1	—
Board of Governors costs	2	2
TOTAL EXPENSES	3	2
Less expenses reimbursed by manager	(2)	—
TOTAL EXPENSES NET OF REIMBURSEMENTS	1	—
NET INVESTMENT INCOME (LOSS)	(1)	1
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Change in unrealized gain (loss) in value of investments	31	4
NET GAIN (LOSS) ON INVESTMENTS	31	4
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
	\$ 30	\$ 5
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES D	\$ 3	\$ —
SERIES O	\$ 27	\$ 5
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES D	\$ 0.32	\$ —
SERIES O	\$ 0.38	\$ 0.08

* Fund launched January 2011; Series D launched June 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

Statement of Changes in Net Assets (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series D		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 122	\$ –	\$ 537	\$ –	\$ 659	\$ –
INCREASE (DECREASE) FROM OPERATIONS	3	–	27	5	30	5
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	168	1	269	505	437	506
Proceeds from reinvestment of distributions	–	–	–	–	–	–
Payments on redemption of units	(13)	–	(77)	(13)	(90)	(13)
TOTAL UNIT TRANSACTIONS	155	1	192	492	347	493
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	158	1	219	497	377	498
NET ASSETS – END OF PERIOD	\$ 280	\$ 1	\$ 756	\$ 497	\$ 1 036	\$ 498

* Fund launched January 2011; Series D launched June 2011.

June 30, 2012

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

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

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

Interest rate risk

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 4.6% (December 31, 2011 – 4.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.5% (December 31, 2011 – 0.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using an 18-month (December 31, 2011 – 12-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2012	December 31 2011
S&P/TSX Capped Composite Total Return Index	+ or - 0.5	+ or - 0.5
MSCI EAFE Total Return Index CAD\$	+ or - 0.5	+ or - 0.7

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	52	–	–	52
Mutual fund units	978	–	–	978
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 030	–	–	1 030
% of total portfolio	100.0	–	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	34	–	–	34
Mutual fund units	620	–	–	620
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	654	–	–	654
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

The management fee payable by Series D of the Fund is calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	1.10%
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June 30, 2012

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Initial investments (\$000s except unit amounts) (see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series D	50	50
Series O	15 492	15 492
Value of all units	\$ 158	\$ 151

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

The Fund had no capital or non-capital losses as at December 31, 2011.

Unitholders' equity (000s)

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

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

	2012	2011
Series D		
Opening units	13	—
Issued number of units	15	—
Reinvested number of units	—	—
Redeemed number of units	(1)	—
Ending number of units	27	—
Series O		
Opening units	55	—
Issued number of units	27	49
Reinvested number of units	—	—
Redeemed number of units	(8)	(1)
Ending number of units	74	48

Other revenue and capital gains (\$000s) (see note 3 in the generic notes)

Other revenue and capital gains from investing in other related Investment Funds for the periods ended:

	June 30 2012	June 30 2011
Series O		
Phillips, Hager & North High Yield Bond Fund	\$ —	\$ 1
Total other revenue	\$ —	\$ 1
Capital gains received from underlying funds	\$ —	\$ —

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

BONAVISTA GLOBAL BALANCED FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
300	Canadian Tire Corp. Ltd., Class A	\$ 19	\$ 21	
1 010	Gildan Activewear Inc., Class A	11	28	
1 100	Magna International Inc., Class A	37	44	
770	Quebecor Inc., Class B	24	28	
		91	121	3.5
Consumer Staples				
500	Alliance Grain Traders Inc.	12	7	
510	Saputo Group Inc.	12	22	
		24	29	0.8
Energy				
1 890	Canadian Natural Resources Ltd.	61	52	
900	Cenovus Energy Inc.	27	29	
830	EnCana Corp.	28	18	
1 200	Husky Energy Inc.	48	30	
1 420	Nexen Inc.	39	24	
1 600	Precision Drilling Corp.	10	11	
2 920	Suncor Energy Inc.	112	86	
2 310	Talisman Energy Inc.	40	27	
		365	277	8.0
Financials				
1 080	Bank of Montreal	53	61	
1 480	Bank of Nova Scotia	67	78	
1 130	Canadian Imperial Bank of Commerce	85	81	
160	Home Capital Group Inc.	7	7	
625	IGM Financial Inc.	27	25	
2 360	Manulife Financial Corporation	64	26	
415	National Bank of Canada	16	30	
1 060	Royal Bank of Canada*	52	55	
1 040	Sun Life Financial Inc.	44	23	
800	TMX Group Inc.	31	37	
1 070	Toronto-Dominion Bank	65	85	
		511	508	14.7
Industrials				
5 300	Bombardier Inc., Class B	29	21	
1 400	CAE Inc.	15	14	
640	Canadian National Railway Co.	31	55	
190	Canadian Pacific Railway Ltd.	10	14	
620	Finning International Inc.	17	15	
240	SNC-Lavalin Group Inc.	9	9	
		111	128	3.7
Information Technology				
1 030	Aastra Technologies Ltd.	30	18	
516	MacDonald Dettwiler & Associates Ltd.	22	30	
650	Open Text Corp.	20	33	
890	Research In Motion Ltd.	58	7	
		130	88	2.6

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
500	Agrium Inc.	\$ 30	\$ 45	
500	First Quantum Minerals Ltd.	7	9	
465	Goldcorp Inc.	14	18	
520	Inmet Mining Corp.	35	22	
300	Methanex Corp.	7	8	
380	Potash Corporation of Saskatchewan Inc.	16	17	
1 686	Teck Resources Ltd., Class B	58	53	
1 600	Thompson Creek Metals Co. Inc.	23	5	
1 100	Yamana Gold Inc.	13	17	
		203	194	5.6
Telecommunication Services				
750	Rogers Communications Inc., Class B	28	28	
		28	28	0.8
TOTAL CANADIAN EQUITIES				
		1 463	1 373	39.7
UNITED STATES EQUITIES				
Consumer Discretionary				
100	Home Depot Inc.	4	5	
330	Johnson Controls Inc.	11	9	
110	McDonald's Corp.	6	10	
		21	24	0.7
Consumer Staples				
200	PepsiCo Inc.	13	14	
180	Procter & Gamble Co.	11	11	
240	Wal-Mart Stores Inc.	12	17	
390	Walgreen Co.	15	12	
		51	54	1.6
Energy				
50	Apache Corp.	5	4	
100	Exxon Mobil Corp.	8	9	
560	Nabors Industries Ltd.	14	8	
240	Noble Corp.	8	8	
200	Transocean Ltd.	20	9	
625	Valero Energy Corp.	27	15	
		82	53	1.5
Financials				
230	Aflac Inc.	11	10	
290	Berkshire Hathaway Inc., Class B	23	25	
355	JPMorgan Chase & Co.	16	13	
400	The Progressive Corp.	9	8	
570	Wells Fargo & Company	17	19	
		76	75	2.2
Health Care				
200	Becton Dickinson & Co.	15	15	
230	Johnson & Johnson	15	16	
810	Pfizer Inc.	20	19	
		50	50	1.4

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

BONAVISTA GLOBAL BALANCED FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
190	Illinois Tool Works Inc.	\$ 10	\$ 10	
129	Stanley Black & Decker Inc.	8	8	
165	Union Pacific Corp.	11	20	
		29	38	1.1
Information Technology				
870	Cisco Systems Inc.	21	15	
20	Google Inc., Class A	11	12	
420	Intel Corp.	10	11	
80	International Business Machines	8	16	
460	Microsoft Corp.	12	14	
60	QUALCOMM Inc.	3	3	
		65	71	2.1

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
525	Alcoa Inc.	\$ 15	\$ 5	
415	Commercial Metals Co.	9	5	
600	Freeport-McMoRan			
	Copper & Gold Inc.	16	21	
130	Nucor Corp.	7	5	
210	The Mosaic Co.	14	12	
		61	48	1.4
Telecommunication Services				
270	AT&T Inc.	11	10	
		11	10	0.3
TOTAL UNITED STATES EQUITIES		446	423	12.3
TOTAL EQUITIES		1 909	1 796	52.0
MUTUAL FUND UNITS				
50 438	Phillips, Hager & North Overseas Equity Fund*	520	437	
TOTAL MUTUAL FUND UNITS		520	437	12.7

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
\$ 45	Daimler Canada Finance Inc.	3.280	15-Sep-16	\$ 45	\$ 46	
25	Enbridge Income Fund Holdings Inc.	4.850	22-Feb-22	25	26	
30	GE Capital Canada Funding Co.	5.530	17-Aug-17	33	34	
45	Laurentian Bank of Canada	2.450	13-Feb-15	45	45	
50	National Bank of Canada	3.580	26-Apr-16	52	52	
55	Teranet Holdings LP	3.531	16-Dec-15	55	57	
				255	260	7.5
FEDERAL						
50	Canada Housing Trust No. 1	2.950	15-Mar-15	53	52	
90	Canada Housing Trust No. 1	1.850	15-Dec-16	91	91	
100	Canada Housing Trust No. 1	3.350	15-Dec-20	107	109	
80	Canada Housing Trust No. 1	2.650	15-Mar-22	80	83	
15	Government of Canada	2.750	01-Jun-22	16	16	
35	Government of Canada	5.750	01-Jun-33	44	55	
				391	406	11.8
PROVINCIAL/MUNICIPAL						
45	Cadillac Fairview Finance Trust	3.640	09-May-18	49	48	
60	Peel Regional Municipality	5.100	29-Jun-40	60	73	
45	Province of New Brunswick	3.350	03-Dec-21	47	47	
60	Province of Ontario	4.200	08-Mar-18	66	68	
25	Province of Ontario	6.200	02-Jun-31	35	35	
80	Province of Quebec	3.500	01-Dec-22	82	85	
15	Province of Quebec	4.250	01-Dec-43	16	18	
				355	374	10.8
TOTAL CANADIAN BONDS				1 001	1 040	30.1
TOTAL INVESTMENTS				\$ 3 430	3 273	94.8
OTHER NET ASSETS					177	5.2
NET ASSETS					\$ 3 450	100.0

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

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

BONAVISTA GLOBAL BALANCED FUND**Statements of Net Assets** (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 3 273	\$ 3 931
Cash	171	152
Dividends receivable, interest accrued and other assets	10	12
TOTAL ASSETS	3 454	4 095
LIABILITIES		
Redemptions payable	1	–
Accounts payable and accrued expenses	3	4
TOTAL LIABILITIES	4	4
NET ASSETS	\$ 3 450	\$ 4 091

Investments at cost	\$ 3 430	\$ 4 177
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NET ASSETS PER SERIES, END OF PERIOD

SERIES C	\$ 25	\$ 127
ADVISOR SERIES	\$ 1	\$ 1
SERIES B	\$ 71	\$ 69
SERIES D	\$ 2 729	\$ 3 156
SERIES F	\$ 1	\$ –
SERIES O	\$ 623	\$ 738

NET ASSETS PER UNIT, END OF PERIOD

SERIES C	\$ 10.29	\$ 10.12
ADVISOR SERIES	\$ 10.29	\$ 10.12
SERIES B	\$ 10.06	\$ 9.89
SERIES D	\$ 10.22	\$ 10.05
SERIES F	\$ 10.36	\$ 10.09
SERIES O	\$ 9.99	\$ 9.82

**NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT,
END OF PERIOD** (see note 3 in the generic notes)

SERIES C	\$ 10.30	\$ 10.13
ADVISOR SERIES	\$ 10.30	\$ 10.13
SERIES B	\$ 10.08	\$ 9.90
SERIES D	\$ 10.24	\$ 10.06
SERIES F	\$ 10.38	\$ 10.10
SERIES O	\$ 10.01	\$ 9.84

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

For the periods ended June 30 (see note 2 in the generic notes)	2012	2011
INCOME (see note 3 in the generic notes)		
Dividends	\$ 27	\$ 41
Interest	19	35
Foreign withholding taxes	(1)	(1)
TOTAL INCOME (LOSS)	45	75
EXPENSES (see notes – Fund Specific Information)		
Management fees	16	36
Administration fees	1	3
Board of Governors costs	2	2
GST/HST	2	4
TOTAL EXPENSES	21	45
NET INVESTMENT INCOME (LOSS)	24	30
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	1	30
Net gain (loss) on foreign currencies and other net assets	–	(1)
Change in unrealized gain (loss) in value of investments	89	(59)
Transaction costs	(1)	–
NET GAIN (LOSS) ON INVESTMENTS	89	(30)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 113	\$ –
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 4	\$ (4)
ADVISOR SERIES	\$ –	\$ –
SERIES B	\$ 2	\$ (3)
SERIES D	\$ 85	\$ 6
SERIES F	\$ 1	\$ –
SERIES O	\$ 21	\$ 1
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.25	\$ (0.04)
ADVISOR SERIES	\$ 0.25	\$ (0.04)
SERIES B	\$ 0.27	\$ (0.02)
SERIES D	\$ 0.30	\$ 0.01
SERIES F	\$ 0.33	\$ 0.04
SERIES O	\$ 0.35	\$ 0.06

Approved by the Board of Directors of RBC Global Asset Management Inc.


John S. Montalbano
Director

Doug Coulter
Director

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

BONAVISTA GLOBAL BALANCED FUND**Statements of Changes in Net Assets** (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series B		Series D	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 127	\$ 362	\$ 1	\$ 1	\$ 69	\$ 1 195	\$ 3 156	\$ 4 652
INCREASE (DECREASE) FROM OPERATIONS	4	(4)	–	–	2	(3)	85	6
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	10	106	–	–	–	–	243	378
Proceeds from reinvestment of distributions	–	–	–	–	–	3	21	24
Payments on redemption of units	(116)	(5)	–	–	–	–	(754)	(558)
TOTAL UNIT TRANSACTIONS	(106)	101	–	–	–	3	(490)	(156)
Distributions from net income	–	–	–	–	–	(3)	(22)	(25)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	(3)	(22)	(25)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(102)	97	–	–	2	(3)	(427)	(175)
NET ASSETS – END OF PERIOD	\$ 25	\$ 459	\$ 1	\$ 1	\$ 71	\$ 1 192	\$ 2 729	\$ 4 477

For the periods ended June 30 (see note 2 in the generic notes)	Series F		Series O		Total	
	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ –	\$ 1	\$ 738	\$ 357	\$ 4 091	\$ 6 568
INCREASE (DECREASE) FROM OPERATIONS	1	–	21	1	113	–
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	6	–	–	–	259	484
Proceeds from reinvestment of distributions	–	–	9	4	30	31
Payments on redemption of units	(6)	–	(136)	(12)	(1 012)	(575)
TOTAL UNIT TRANSACTIONS	–	–	(127)	(8)	(723)	(60)
Distributions from net income	–	–	(9)	(4)	(31)	(32)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	(9)	(4)	(31)	(32)
TOTAL INCREASE (DECREASE) IN NET ASSETS	1	–	(115)	(11)	(641)	(92)
NET ASSETS – END OF PERIOD	\$ 1	\$ 1	\$ 623	\$ 346	\$ 3 450	\$ 6 476

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

June 30, 2012

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

Credit-exposed securities, excluding short-term investments, comprise 30.1% (December 31, 2011 – 30.3%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2012	December 31 2011
AAA	50.8	61.1
AA	14.8	14.2
A	22.0	15.8
BBB	12.4	8.9
Total debt securities	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 30.1% (December 31, 2011 – 30.3%) of the net assets 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	June 30 2012	December 31 2011
Less than 1 year	–	–
1 – 5 years	33.1	43.5
5 – 10 years	41.5	34.1
> 10 years	25.4	22.4
Total debt securities	100.0	100.0

As at June 30, 2012, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.2% (December 31, 2011 – 2.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

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

Currency	June 30 2012	December 31 2011
United States dollar	13.4	13.0
Pound sterling	3.3	3.0
Euro	2.5	3.5
Japanese yen	1.7	1.7
Swiss franc	1.5	1.2
Hong Kong dollar	1.2	0.6
Norwegian krone	0.3	–
Brazilian real	0.2	–
Australian dollar	0.1	–
South African rand	0.1	–
Singapore dollar	0.1	–
Indian rupee	0.1	–
Other currencies	–	0.8
Total	24.5	23.8

As at June 30, 2012, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.2% (December 31, 2011 – 0.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	June 30 2012	December 31 2011
S&P/TSX Composite Total Return Index	+ or - 0.6	+ or - 0.6
S&P 500 Index CAD\$	+ or - 0.7	+ or - 0.6
MSCI EAFE Total Return Index CAD\$	+ or - 0.5	+ 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.

BONAVISTA GLOBAL BALANCED FUND

Investment Management™

June 30, 2012

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	1 796	–	–	1 796
Mutual fund units	437	–	–	437
Fixed-income and debt securities	–	1 040	–	1 040
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 233	1 040	–	3 273
% of total portfolio	68.2	31.8	–	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	2 201	–	–	2 201
Mutual fund units	491	–	–	491
Fixed-income and debt securities	–	1 239	–	1 239
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 692	1 239	–	3 931
% of total portfolio	68.5	31.5	–	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST of the daily net asset value of each series of the Fund.

Series C	2.00%
Advisor Series	2.00%
Series B	1.50%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series B	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)

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

	June 30 2012	December 31 2011
Units held		
Series C	48	48
Advisor Series	94	94
Series B	50	50
Series D	49	49
Series F	50	49
Series O	52	51
Value of all units	\$ 4	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$59. The Fund had no non-capital losses.

BONAVISTA GLOBAL BALANCED FUND

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	12	33
Issued number of units	1	9
Reinvested number of units	—	—
Redeemed number of units	(11)	—
Ending number of units	2	42
Advisor Series		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series B		
Opening units	7	111
Issued number of units	—	1
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	7	112
Series D		
Opening units	314	424
Issued number of units	23	34
Reinvested number of units	2	2
Redeemed number of units	(72)	(50)
Ending number of units	267	410
Series F		
Opening units	—	—
Issued number of units	1	—
Reinvested number of units	—	—
Redeemed number of units	(1)	—
Ending number of units	—	—
Series O		
Opening units	75	33
Issued number of units	—	—
Reinvested number of units	1	—
Redeemed number of units	(14)	(1)
Ending number of units	62	32

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	1	100	—	—
Related-party brokerage commissions*	—	—	—	—
Commission arrangements†	—	—	—	—

* See note 7 in the generic notes.

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

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

BONAVISTA CANADIAN EQUITY VALUE FUND

June 30, 2012

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
8 890	Gildan Activewear Inc., Class A	\$ 149	\$ 248	
8 850	Magna International Inc., Class A	288	354	
4 900	Quebecor Inc., Class B	156	179	
4 100	Thomson Corp.	149	119	
		742	900	7.6
Consumer Staples				
3 900	Alimentation Couche-Tard Inc.	92	173	
4 300	Alliance Grain Traders Inc.	107	57	
4 120	Saputo Group Inc.	88	174	
		287	404	3.4
Energy				
15 200	Canadian Natural Resources Ltd.	485	415	
6 810	Cenovus Energy Inc.	203	220	
8 300	EnCana Corp.	263	176	
8 200	Husky Energy Inc.	292	208	
13 150	Nexen Inc.	380	226	
10 301	Precision Drilling Corp.	143	71	
22 100	Suncor Energy Inc.	806	651	
20 380	Talisman Energy Inc.	351	237	
		2 923	2 204	18.7
Financials				
8 190	Bank of Montreal	449	460	
13 020	Bank of Nova Scotia	604	686	
9 680	Canadian Imperial Bank of Commerce	735	693	
1 040	Home Capital Group Inc.	45	47	
4 700	IGM Financial Inc.	217	188	
21 870	Manulife Financial Corporation	607	242	
3 720	National Bank of Canada	163	270	
8 870	Royal Bank of Canada*	437	462	
9 340	Sun Life Financial Inc.	379	207	
8 000	TMX Group Inc.	299	371	
8 910	Toronto-Dominion Bank	547	709	
		4 482	4 335	36.7
Industrials				
30 200	Bombardier Inc., Class B	146	121	
12 730	CAE Inc.	135	125	
5 400	Canadian National Railway Co.	267	463	
1 700	Canadian Pacific Railway Ltd.	94	127	
8 100	Finning International Inc.	221	191	
2 200	SNC-Lavalin Group Inc.	85	84	
		948	1 111	9.4

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
9 370	Aastra Technologies Ltd.	\$ 262	\$ 163	
3 766	MacDonald Dettwiler & Associates Ltd.	161	220	
6 100	Open Text Corp.	191	309	
7 000	Research In Motion Ltd.	469	53	
		1 083	745	6.3
Materials				
3 920	Agrium Inc.	223	353	
4 000	First Quantum Minerals Ltd.	61	72	
4 375	Goldcorp Inc.	135	167	
4 600	Inmet Mining Corp.	308	192	
3 100	Methanex Corp.	77	88	
3 530	Potash Corporation of Saskatchewan Inc.	152	157	
14 977	Teck Resources Ltd., Class B	562	472	
12 300	Thompson Creek Metals Co. Inc.	193	40	
5 900	Yamana Gold Inc.	68	93	
		1 779	1 634	13.9
Telecommunication Services				
5 980	Rogers Communications Inc., Class B	219	221	
3 500	TELUS Corp.	179	214	
		398	435	3.7
TOTAL CANADIAN EQUITIES		\$ 12 642	11 768	99.7
OTHER NET ASSETS			31	0.3
NET ASSETS			\$ 11 799	100.0

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

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

Statements of Net Assets (unaudited) (in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2012	December 31 2011
ASSETS		
Investments at fair value	\$ 11 768	\$ 15 566
Cash	—	46
Due from investment dealers	733	—
Dividends receivable, interest accrued and other assets	41	50
TOTAL ASSETS	12 542	15 662
LIABILITIES		
Bank overdraft	708	—
Redemptions payable	29	56
Accounts payable and accrued expenses	6	8
TOTAL LIABILITIES	743	64
NET ASSETS	\$ 11 799	\$ 15 598
Investments at cost	\$ 12 642	\$ 16 515
NET ASSETS PER SERIES, END OF PERIOD		
SERIES C	\$ 113	\$ 113
ADVISOR SERIES	\$ 1	\$ 1
SERIES D	\$ 5 343	\$ 6 789
SERIES F	\$ 3	\$ 3
SERIES O	\$ 6 339	\$ 8 692
NET ASSETS PER UNIT, END OF PERIOD		
SERIES C	\$ 9.85	\$ 9.71
ADVISOR SERIES	\$ 9.85	\$ 9.71
SERIES D	\$ 9.95	\$ 9.77
SERIES F	\$ 9.98	\$ 9.79
SERIES O	\$ 10.13	\$ 9.90
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
SERIES C	\$ 9.87	\$ 9.73
ADVISOR SERIES	\$ 9.87	\$ 9.73
SERIES D	\$ 9.97	\$ 9.79
SERIES F	\$ 10.00	\$ 9.80
SERIES O	\$ 10.16	\$ 9.92

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

(see note 2 in the generic notes)	2012	2011
For the periods ended June 30		
INCOME (see note 3 in the generic notes)		
Dividends	\$ 200	\$ 238
TOTAL INCOME (LOSS)	200	238
EXPENSES (see notes – Fund Specific Information)		
Management fees	33	58
Administration fees	8	11
Board of Governors costs	2	2
GST/HST	4	8
TOTAL EXPENSES	47	79
NET INVESTMENT INCOME (LOSS)	153	159
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	192	30
Change in unrealized gain (loss) in value of investments	75	(98)
Transaction costs	(6)	(2)
NET GAIN (LOSS) ON INVESTMENTS	261	(70)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 414	\$ 89
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
SERIES C	\$ 1	\$ (1)
ADVISOR SERIES	\$ —	\$ —
SERIES D	\$ 151	\$ 22
SERIES F	\$ —	\$ —
SERIES O	\$ 262	\$ 68
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
SERIES C	\$ 0.22	\$ (0.03)
ADVISOR SERIES	\$ 0.22	\$ (0.03)
SERIES D	\$ 0.26	\$ 0.01
SERIES F	\$ 0.28	\$ 0.03
SERIES O	\$ 0.31	\$ 0.07

Approved by the Board of Directors of RBC Global Asset Management Inc.



John S. Montalbano
Director



Doug Coulter
Director

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

BONAVISTA CANADIAN EQUITY VALUE FUND**Statements of Changes in Net Assets** (unaudited) (in \$'000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2012	2011	2012	2011	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 113	\$ 138	\$ 1	\$ 1	\$ 6 789	\$ 10 581	\$ 3	\$ 1
INCREASE (DECREASE) FROM OPERATIONS	1	(1)	–	–	151	22	–	–
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	3	69	–	–	581	2 704	–	2
Proceeds from reinvestment of distributions	–	–	–	–	–	–	–	–
Payments on redemption of units	(4)	(24)	–	–	(2 178)	(2 782)	–	–
TOTAL UNIT TRANSACTIONS	(1)	45	–	–	(1 597)	(78)	–	2
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	–	–	–	–	–	–	–	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	–	44	–	–	(1 446)	(56)	–	2
NET ASSETS – END OF PERIOD	\$ 113	\$ 182	\$ 1	\$ 1	\$ 5 343	\$ 10 525	\$ 3	\$ 3

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2012	2011	2012	2011
NET ASSETS – BEGINNING OF PERIOD	\$ 8 692	\$ 10 781	\$ 15 598	\$ 21 502
INCREASE (DECREASE) FROM OPERATIONS	262	68	414	89
Early redemption fees	–	–	–	–
Proceeds from units issued	149	1 162	733	3 937
Proceeds from reinvestment of distributions	–	1	–	1
Payments on redemption of units	(2 764)	(707)	(4 946)	(3 513)
TOTAL UNIT TRANSACTIONS	(2 615)	456	(4 213)	425
Distributions from net income	–	(1)	–	(1)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS	–	(1)	–	(1)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(2 353)	523	(3 799)	513
NET ASSETS – END OF PERIOD	\$ 6 339	\$ 11 304	\$ 11 799	\$ 22 015

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

BONAVISTA CANADIAN EQUITY VALUE FUND

June 30, 2012

**Financial instrument risk and capital management
(see note 4 in the generic notes)*****Other price risk (% impact on net assets)***

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

	June 30 2012	December 31 2011
S&P/TSX Composite Total Return Index	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of June 30, 2012 and December 31, 2011 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2012	Level 1	Level 2	Level 3	Total
Equities	11 768	—	—	11 768
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	11 768	—	—	11 768
% of total portfolio	100.0	—	—	100.0

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	15 566	—	—	15 566
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	15 566	—	—	15 566
% of total portfolio	100.0	—	—	100.0

For the periods ended June 30, 2012 and December 31, 2011, there were no transfers of financial instruments between Level 1 and Level 2.

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

Management fees (see note 7 in the generic notes)

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

Management fees of the other series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

**Initial investments (\$000s except unit amounts)
(see note 7 in the generic notes)**

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

	June 30 2012	December 31 2011
Units held		
Series C	49	49
Advisor Series	95	95
Series D	49	49
Series F	49	49
Series O	49	49
Value of all units	\$ 3	\$ 3

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

The capital losses as at December 31, 2011 for the Fund were \$580. The Fund had no non-capital losses.

BONAVISTA CANADIAN EQUITY VALUE FUND

June 30, 2012

Unitholders' equity (000s)

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

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

	2012	2011
Series C		
Opening units	12	12
Issued number of units	(1)	6
Reinvested number of units	—	—
Redeemed number of units	—	(2)
Ending number of units	11	16
Advisor Series		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series D		
Opening units	695	927
Issued number of units	56	230
Reinvested number of units	—	—
Redeemed number of units	(214)	(238)
Ending number of units	537	919
Series F		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
Series O		
Opening units	878	933
Issued number of units	13	96
Reinvested number of units	—	—
Redeemed number of units	(266)	(60)
Ending number of units	625	969

Transaction costs (\$000s except %)

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

	June 30 2012		June 30 2011	
	\$	%	\$	%
Total transaction costs	6	100	2	100
Related-party brokerage commissions*	—	—	—	—
Commission arrangements†	—	—	—	—

* See note 7 in the generic notes.

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

1. The Funds

The mutual funds (“Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia and governed by a Master Declaration of Trust. RBC GAM is the manager and portfolio advisor of the Funds.

The Funds may issue an unlimited number of units in some or all of Series C, Advisor Series, Series B, Series D, Series E, and Series O.

Series C units are available to investors who purchase units from authorized third-party dealers.

Advisor Series units are available to all investors with an initial sales charge or low-load sales charge option. Under the initial sales charge option, investors pay a sales commission ranging from 0% to 5% of the amount invested. Under the low-load sales charge option, investors do not pay a commission.

Series B units were previously available to investors who purchased units from authorized third-party dealers. Series B units are no longer available for investment (other than with respect to reinvested distributions).

Series D units are available to all investors and may be purchased, switched or redeemed through Phillips, Hager & North Investment Funds Ltd. (“PH&N IF”) or certain other authorized dealers (primarily discount brokers).

Series F units are available to investors who have fee-based accounts with their dealer.

Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series O units may only be purchased, switched or redeemed through RBC GAM or, in certain circumstances, PH&N IF.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the six-month periods ended June 30, 2012 and 2011 or as at June 30, 2012 and December 31, 2011. In the year a Fund or series is established, “period” represents the period from inception to June 30 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), which include estimates and assumptions by management that may affect the reported amounts of assets

(primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds are as follows:

Valuation of Investments The valuation methods used to calculate the daily net asset value to transact units of the Funds, as described in the Funds’ Annual Information Form (“transactional NAV”) are not identical to the GAAP accounting policies used to determine the financial statement net assets (“net assets”) described below. The primary difference between net assets and transactional NAV relates to valuation of actively traded securities at bid prices for net assets and at last sale prices for transactional NAV.

In accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, *Financial Instruments – Disclosures*, the Funds’ financial instruments are measured at fair value using a three-tier hierarchy based on inputs used to value the Funds’ investments and derivatives. The hierarchy of inputs is summarized below:

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

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

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

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

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

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

Equities – Equities are valued at the current bid price recorded by the security exchange on which the security is principally traded.

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

Mortgages are valued at a principal amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

June 30, 2012

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

Options – Listed options are valued at the current bid price on the recognized exchange on which the option is traded for the long positions and the ask price for the short positions. The premium received for written options is recorded as a credit in the Statement of Investment Portfolio and adjusted daily to the fair value of the written option.

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

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 settlement date; rather, they intend to close-out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Operations. The net receivable/payable on futures contracts is recorded separately in the Statements of Net Assets.

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

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

Procedures are in place to fair value foreign securities traded in countries outside North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. This fair valuation process takes into account the last quoted price of the security and adjusts the price based on inputs such as related indices, changes in foreign markets, American Depository Receipts (“ADR”) prices, etc. These securities are classified as Level 2.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the Phillips, Hager & North \$U.S. Money Market Fund) at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Operations.

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

Investment Transactions Investment transactions are accounted for as of the trade date, and realized and unrealized gains and losses are calculated on an average cost basis. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Operations for the period. The period change in the difference between fair value and average cost of securities represents unrealized gains and losses. Realized and unrealized gains and losses are included in the Statements of Operations. The basis of determining the cost of portfolio assets is average cost.

Income Recognition Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. “Other income (loss)” includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components such as income, capital gains, and return of capital. “Other revenue” includes income earned by a Fund from investments in underlying funds.

Increase (Decrease) in Net Assets from Operations

Per Unit Increase (decrease) in net assets from operations per unit in the Statements of Operations represents the increase (decrease) in net assets from operations 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 the 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.

Foreign Currencies The following is a list of abbreviations used in the Statement of Investment Portfolio.

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

4. Financial instrument risk and capital management

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

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

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of

a Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

Credit risk

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

Interest rate risk

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

Currency risk

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

Other price risk

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

5. Taxes

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

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

6. Securities lending

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 Operations of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Dexia Investor Services Trust ("RBC Dexia"). 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 the custodian for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

7. Administrative and other related-party transactions

Manager and Registrar

RBC GAM is an indirect wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and registrar of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Fund's and appoints distributors for the Funds. RBC GAM, as registrar,

also keeps records of who owns units of the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

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

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates.

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

Portfolio Advisor

With the exception of the BonaVista Global Balanced Fund and the BonaVista Canadian Equity Value Fund, RBC GAM is the principal portfolio advisor of the Funds. BonaVista Asset Management Ltd. ("BonaVista"), a subsidiary of RBC GAM, is the principal portfolio advisor for the BonaVista Global Balanced Fund and the BonaVista Canadian Equity Value Fund. Sky Investment Counsel Inc. ("Sky") is the sub-advisor for the Phillips, Hager & North Overseas Equity Fund and the non-North American equity assets of the Phillips, Hager & North Balanced Fund, the Phillips, Hager & North Global Equity Fund and the Phillips, Hager & North Community Values Global Equity Fund. RBC GAM has a non-controlling interest in Sky. The fees paid to BonaVista and Sky are paid by RBC GAM and not the Funds.

June 30, 2012

Distributor

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

Brokerage

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

Trustee and Custodian

RBC Dexia is the trustee and custodian of the Funds.

RBC Dexia is paid custodial fees for holding the assets of, and trustee fees for acting as the trustee. The fees paid to RBC Dexia are paid by RBC GAM and not the Funds.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the BoG in its capacity as the Independent Review Committee with respect to one or more of the following related-party transactions:

Related-Party Trading Activities

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

Inter-Fund Trading

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities:

- (i) is made in the best interests of the Funds and free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to

Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

8. Future accounting changes

International Financial Reporting Standards

The Funds will be required to adopt the International Financial Reporting Standards ("IFRS") beginning in their fiscal 2014 year. In preparation to meet the requirements, RBC GAM has taken the following steps in managing the transition to IFRS:

- (a) Established a committee for the development and implementation of a transition plan and to provide oversight of the transition to IFRS;
- (b) Commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS; and,
- (c) Initiated analysis to reconfigure accounting systems used by the Funds.

The key elements of the plan currently include disclosure of the quantitative impact, if any, in the 2013 financial statements and the preparation of the 2014 financial statements in accordance with IFRS.

Since IFRS standards are constantly evolving, the major qualitative impacts based on standards approved to date are the addition of a cash flow statement and the impact of classification of puttable instruments, the units of the Fund, as a liability or as an equity.

Regardless of the financial statement impacts, RBC GAM has presently determined that there will be no quantitative impact to the Net Asset Value per Unit ("transactional NAV") of each series as a result of the changeover to IFRS.

9. Subsequent event

Effective July 27, 2012, Royal Bank owns 100% of RBC Investor Services Trust (formerly, RBC Dexia Investor Services Trust, referred to throughout as "RBC Dexia").

June 30, 2012

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

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

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

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

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

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



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

Board of Governors

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

Board of Governors

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Chair of the Board of Governors
Director

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 Saskatoon, Saskatchewan

¹ Member of the Financial Advisory Committee

² Chair of the Financial Advisory Committee

³ Member of the Investment Conflicts
 Committee

⁴ Chair of the Investment Conflicts Committee

⁵ Chair of the Governance Committee

⁶ Member of the Governance Committee

If you have questions regarding your mutual fund holdings, you can contact us using the following options:

By Phone

Toll-Free: **1-800-661-6141**

By Fax

Toll-Free: **1-800-666-9899**

Website **www.phn.com**

By Email **info@phn.com**

By Mail

For general mutual fund enquiries, write to:

**Phillips, Hager & North Investment Management, an
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