

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

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



**Damon G. Williams, FSA, FCIA, CFA**  
Chief Executive Officer  
RBC Global Asset Management Inc.  
August 9, 2018



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

**Unaudited Interim Financial Statements**

The accompanying interim 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.



SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)  
**RBC U.S. EQUITY VALUE FUND**

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>COMMON EQUITIES</b>				
<b>Consumer Discretionary</b>				
881	Charter Communications Inc.	\$ 276	\$ 340	
11 204	Comcast Corp., Class A	464	483	
2 593	Dollar Tree Inc.	273	290	
2 363	General Motors Co.	115	122	
2 224	Home Depot Inc.	392	571	
4 100	Kohl's Corp.	398	393	
4 100	Lowe's Companies	515	515	
2 257	Marriott International Inc., Class A	240	376	
2 501	McDonald's Corp.	407	515	
1 374	Mohawk Industries Inc.	383	387	
2 178	Nike Inc.	165	228	
1 611	PVH Corp.	233	317	
4 700	Tapestry Inc.	288	289	
1 113	The Walt Disney Company	157	153	
1 750	V.F. Corporation	169	188	
		<b>4 475</b>	<b>5 167</b>	<b>10.1</b>
<b>Consumer Staples</b>				
2 420	Church & Dwight Co. Inc.	156	169	
1 318	Colgate-Palmolive Company	115	112	
2 629	Conagra Brands Inc.	132	123	
729	Costco Wholesale Corp.	157	200	
1 457	Coty Inc.	36	27	
1 635	CVS Health Corp.	182	138	
983	McCormick & Co. Inc.	124	150	
7 132	Mondelez International Inc.	411	385	
2 335	PepsiCo Inc.	312	334	
2 449	Philip Morris International Inc.	328	260	
6 490	The Coca-Cola Co.	371	374	
949	The Kraft Heinz Co.	94	78	
2 349	The Kroger Co.	67	88	
4 430	The Procter & Gamble Co.	448	455	
1 668	Tyson Foods Inc.	143	151	
1 102	Walgreens Boots Alliance Inc.	119	87	
3 683	Walmart Inc.	370	415	
		<b>3 565</b>	<b>3 546</b>	<b>6.9</b>
<b>Energy</b>				
4 747	Chevron Corp.	622	789	
5 704	ConocoPhillips	401	522	
2 617	EOG Resources Inc.	323	429	
4 993	Exxon Mobil Corp.	554	544	
3 544	Halliburton Co.	238	210	
3 900	Marathon Petroleum Corp.	380	360	
1 531	Pioneer Natural Resources Co.	290	381	
2 850	Valero Energy Corp.	379	415	
		<b>3 187</b>	<b>3 650</b>	<b>7.1</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials</b>				
1 279	American Express Company	\$ 141	\$ 165	
5 205	American International Group Inc.	386	363	
1 125	Aon Plc.	198	203	
23 285	Bank of America Corp.	510	863	
3 272	Berkshire Hathaway Inc., Class B	570	803	
374	BlackRock Inc.	207	246	
3 048	Citigroup Inc.	247	268	
1 481	Comerica Inc.	191	177	
2 148	Discover Financial Services	170	199	
1 889	E*TRADE Financial Corp.	132	152	
4 543	Invesco Ltd.	187	159	
7 987	JPMorgan Chase & Co.	660	1 095	
2 028	Marsh & McLennan Companies Inc.	189	219	
1 947	MetLife Inc.	116	112	
2 331	Morgan Stanley	151	145	
1 359	PNC Bank Corp.	228	241	
700	Prudential Financial Inc.	98	86	
584	S&P Global Inc.	89	157	
1 568	State Street Corp.	192	192	
2 916	Suntrust Banks Inc.	169	253	
1 828	The Charles Schwab Corporation	106	123	
589	The Goldman Sachs Group Inc.	186	171	
1 474	The Nasdaq Stock Market Inc.	141	177	
1 821	U.S. Bancorp	116	120	
7 642	Wells Fargo & Company	521	557	
		<b>5 901</b>	<b>7 246</b>	<b>14.2</b>
<b>Health Care</b>				
3 500	Baxter International Inc.	342	340	
2 091	Bristol-Myers Squibb Co.	171	152	
2 348	Danaher Corp.	205	305	
1 900	Edwards Lifesciences Corp.	303	364	
4 072	Eli Lilly & Co.	421	457	
5 774	Johnson & Johnson	854	921	
1 400	Laboratory Corp. of America Holdings	297	330	
4 301	Medtronic Plc.	376	484	
4 170	Merck & Co. Inc.	282	333	
15 981	Pfizer Inc.	663	763	
967	Thermo Fisher Scientific Inc.	188	263	
2 821	UnitedHealth Group Incorporated	370	910	
		<b>4 472</b>	<b>5 622</b>	<b>11.0</b>
<b>Industrials</b>				
1 527	Boeing Co.	497	674	
2 669	Eaton Corp Plc.	243	262	
3 800	Emerson Electric Co.	339	345	
2 976	Fortive Corp.	182	302	
14 925	General Electric Company	476	267	
1 285	Honeywell International Inc.	161	243	
853	Northrop Grumman Corp.	264	345	

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



June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials (cont.)</b>				
2 652	nVent Electric Plc.	\$ 75	\$ 88	
2 652	Pentair Plc.	202	147	
1 073	Rockwell Automation Inc.	193	234	
2 030	Stanley Black & Decker Inc.	307	354	
1 288	Union Pacific Corp.	180	240	
3 210	United Technologies Corp.	499	528	
		<u>3 618</u>	<u>4 029</u>	<u>7.9</u>
<b>Information Technology</b>				
1 032	Accenture Plc., Class A	137	222	
1 188	Alphabet Inc., Class A	1 236	1 764	
8 481	Apple Inc.	1 198	2 039	
1 887	Applied Materials Inc.	57	115	
774	Autodesk Inc.	124	133	
630	Broadcom Inc.	186	201	
8 003	Cisco Systems Inc.	295	453	
983	Cognizant Technology Solutions Corp., Class A	80	102	
1 907	DXC Technology Co.	240	202	
3 969	eBay Inc.	179	189	
1 294	Electronic Arts Inc.	196	240	
5 046	Facebook Inc., Class A	997	1 289	
9 025	Hewlett Packard Enterprise Co.	201	173	
2 466	HP Inc.	84	74	
10 141	Intel Corp.	481	663	
1 492	International Business Machines	299	274	
288	Lam Research Corp.	76	65	
1 368	Mastercard Inc.	153	354	
390	Micro Focus International Plc. ADR	19	9	
1 876	Micron Technology Inc.	116	129	
15 591	Microsoft Corp.	1 115	2 021	
4 822	Oracle Corporation	265	279	
953	Perspecta Inc.	31	26	
1 528	QUALCOMM Inc.	114	113	
2 014	Salesforce.com Inc.	221	361	
3 664	Texas Instruments Inc.	365	531	
479	Versum Materials Inc.	15	23	
2 648	Visa Inc., Class A	272	462	
1 211	Xilinx Inc.	94	104	
		<u>8 846</u>	<u>12 610</u>	<u>24.6</u>
<b>Materials</b>				
828	Air Products & Chemicals Inc.	151	170	
5 082	DowDuPont Inc.	369	441	
1 452	LyondellBasell Industries N.V.	205	210	
3 592	Newmont Mining Corporation	184	178	
		<u>909</u>	<u>999</u>	<u>2.0</u>
<b>Real Estate</b>				
4 185	CBRE Group Inc.	231	263	
978	Crown Castle International Corp. Real Estate Investment Trust	134	139	
248	Equinix Inc. Real Estate Investment Trust	134	140	
1 373	Extra Space Storage Inc. Real Estate Investment Trust	154	180	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Real Estate (cont.)</b>				
1 686	Federal Realty Investment Trust	\$ 276	\$ 280	
943	ProLogis Inc. Trust	74	81	
651	Simon Property Group Inc.	131	146	
1 285	SL Green Realty Corp. Real Estate Investment Trust	185	170	
		<u>1 319</u>	<u>1 399</u>	<u>2.7</u>
<b>Telecommunication Services</b>				
4 855	AT&T Inc.	278	216	
4 855	Verizon Communications Inc.	197	199	
		<u>475</u>	<u>415</u>	<u>0.8</u>
<b>Utilities</b>				
1 134	Dominion Energy Inc.	114	102	
2 014	Duke Energy Corp.	231	209	
645	Edison International	58	54	
3 156	FirstEnergy Corporation	123	149	
1 273	NextEra Energy Inc.	211	280	
3 255	Public Service Enterprise Group	188	232	
884	Xcel Energy Inc.	52	53	
		<u>977</u>	<u>1 079</u>	<u>2.1</u>
<b>TOTAL COMMON EQUITIES</b>		<u>37 744</u>	<u>45 762</u>	<u>89.4</u>
<b>UNDERLYING FUNDS</b>				
9 178	SPDR S&P 500 ETF Trust	3 093	3 274	
<b>TOTAL UNDERLYING FUNDS</b>		<u>3 093</u>	<u>3 274</u>	<u>6.4</u>
<b>Par Value (000s)</b>	<b>Security</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>SHORT-TERM INVESTMENTS*</b>				
2 061	Bank of Nova Scotia USD	\$ 2 709	\$ 2 709	
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<u>2 709</u>	<u>2 709</u>	<u>5.3</u>
<b>TOTAL INVESTMENTS</b>		<u>\$ 43 546</u>	<u>51 745</u>	<u>101.1</u>
<b>OTHER NET ASSETS (LIABILITIES)</b>				
<b>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			<u>(544)</u>	<u>(1.1)</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			<u>\$ 51 201</u>	<u>100.0</u>

\* 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 1.90% and mature on July 3, 2018.



**Statements of Financial Position** (unaudited)

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
<b>ASSETS</b>		
Investments at fair value	\$ 51 745	\$ 49 251
Cash	14	14
Subscriptions receivable	46	71
Dividends receivable, interest accrued and other assets	36	23
<b>TOTAL ASSETS</b>	<b>51 841</b>	<b>49 359</b>
<b>LIABILITIES</b>		
Due to investment dealers	588	1 818
Redemptions payable	–	38
Accounts payable and accrued expenses	52	50
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		
	<b>640</b>	<b>1 906</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>		
	<b>\$ 51 201</b>	<b>\$ 47 453</b>
Investments at cost	\$ 43 546	\$ 41 760
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 20 694</b>	<b>\$ 19 290</b>
<b>ADVISOR SERIES</b>	<b>\$ 3 344</b>	<b>\$ 3 572</b>
<b>SERIES D</b>	<b>\$ 5 191</b>	<b>\$ 4 169</b>
<b>SERIES F</b>	<b>\$ 16 416</b>	<b>\$ 15 762</b>
<b>SERIES O</b>	<b>\$ 5 556</b>	<b>\$ 4 660</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 15.23</b>	<b>\$ 14.66</b>
<b>ADVISOR SERIES</b>	<b>\$ 15.25</b>	<b>\$ 14.67</b>
<b>SERIES D</b>	<b>\$ 15.43</b>	<b>\$ 14.79</b>
<b>SERIES F</b>	<b>\$ 15.50</b>	<b>\$ 14.83</b>
<b>SERIES O</b>	<b>\$ 15.56</b>	<b>\$ 14.84</b>

**Statements of Comprehensive Income** (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 556	\$ 383
Interest for distribution purposes	32	10
Derivative income	(1)	–
Net realized gain (loss) on investments	836	499
Change in unrealized gain (loss) on investments	708	1 289
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>2 131</b>	<b>2 181</b>
Securities lending revenue		
(see note 7 in the generic notes)	1	1
Net gain (loss) on foreign cash balances	280	(65)
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>281</b>	<b>(64)</b>
<b>TOTAL INCOME (LOSS)</b>	<b>2 412</b>	<b>2 117</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	258	212
Administration fees	22	21
Independent Review Committee costs	1	1
GST/HST	29	25
Transaction costs	7	6
Withholding tax	60	49
Expenses reimbursed by manager	–	(1)
<b>TOTAL EXPENSES</b>	<b>377</b>	<b>313</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 2 035</b>	<b>\$ 1 804</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 763</b>	<b>\$ 682</b>
<b>ADVISOR SERIES</b>	<b>\$ 130</b>	<b>\$ 172</b>
<b>SERIES D</b>	<b>\$ 182</b>	<b>\$ 151</b>
<b>SERIES F</b>	<b>\$ 729</b>	<b>\$ 740</b>
<b>SERIES O</b>	<b>\$ 231</b>	<b>\$ 59</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.56</b>	<b>\$ 0.59</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.57</b>	<b>\$ 0.61</b>
<b>SERIES D</b>	<b>\$ 0.58</b>	<b>\$ 0.63</b>
<b>SERIES F</b>	<b>\$ 0.67</b>	<b>\$ 0.72</b>
<b>SERIES O</b>	<b>\$ 0.70</b>	<b>\$ 0.44</b>



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

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 2 035	\$ 1 804
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(829)	(495)
Change in unrealized loss (gain) on investments	(708)	(1 289)
(Increase) decrease in accrued receivables	(13)	11
Increase (decrease) in accrued payables	2	7
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(464 599)	(303 056)
Proceeds from sale and maturity of investments	462 412	297 308
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(1 700)</b>	<b>(5 710)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	9 377	9 298
Cash paid on redemption of redeemable units	(7 677)	(3 587)
Distributions paid to holders of redeemable units	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 1 700</b>	<b>\$ 5 711</b>
Net increase (decrease) in cash for the period	–	1
Cash (bank overdraft), beginning of period	14	15
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 14</b>	<b>\$ 17</b>
Interest received (paid)	\$ 33	\$ 10
Dividends received, net of withholding taxes	\$ 483	\$ 345



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

For the periods ended June 30 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 19 290	\$ 14 219	\$ 3 572	\$ 3 864	\$ 4 169	\$ 2 928	\$ 15 762	\$ 12 448
<b>INCREASE (DECREASE) IN NAV</b>	<b>763</b>	<b>682</b>	<b>130</b>	<b>172</b>	<b>182</b>	<b>151</b>	<b>729</b>	<b>740</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	4 098	4 014	114	443	1 702	1 088	2 278	2 635
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(3 457)	(1 985)	(472)	(573)	(862)	(488)	(2 353)	(993)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>641</b>	<b>2 029</b>	<b>(358)</b>	<b>(130)</b>	<b>840</b>	<b>600</b>	<b>(75)</b>	<b>1 642</b>
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>1 404</b>	<b>2 711</b>	<b>(228)</b>	<b>42</b>	<b>1 022</b>	<b>751</b>	<b>654</b>	<b>2 382</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 20 694</b>	<b>\$ 16 930</b>	<b>\$ 3 344</b>	<b>\$ 3 906</b>	<b>\$ 5 191</b>	<b>\$ 3 679</b>	<b>\$ 16 416</b>	<b>\$ 14 830</b>

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 4 660	\$ 886	\$ 47 453	\$ 34 345
<b>INCREASE (DECREASE) IN NAV</b>	<b>231</b>	<b>59</b>	<b>2 035</b>	<b>1 804</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 985	2 050	10 177	10 230
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(1 320)	(297)	(8 464)	(4 336)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>665</b>	<b>1 753</b>	<b>1 713</b>	<b>5 894</b>
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>896</b>	<b>1 812</b>	<b>3 748</b>	<b>7 698</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 5 556</b>	<b>\$ 2 698</b>	<b>\$ 51 201</b>	<b>\$ 42 043</b>



June 30, 2018

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

The investment objective of the Fund is to provide long-term capital growth by investing primarily in equity securities of U.S. companies that are attractively valued relative to their peers, their own history and the broader stock market while offering long-term opportunities for growth.

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

**Concentration risk (%)**

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

	June 30 2018	December 31 2017
Investment mix		
Information Technology	24.6	23.0
Financials	14.2	15.4
Health Care	11.0	10.1
Consumer Discretionary	10.1	10.5
Industrials	7.9	9.8
Energy	7.1	7.1
Consumer Staples	6.9	8.4
Underlying Funds	6.4	–
Real Estate	2.7	1.8
Utilities	2.1	2.4
Materials	2.0	2.1
Telecommunication Services	0.8	0.9
Cash/Other	4.2	8.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Currency risk (% of NAV)**

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

	June 30 2018	December 31 2017
Currency		
United States dollar	100.0	99.9
<b>Total</b>	<b>100.0</b>	<b>99.9</b>

As at June 30, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Other price risk (% impact on NAV)**

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

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

	June 30 2018	December 31 2017
S&P 500 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, 2018 and December 31, 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>45 762</b>	–	–	<b>45 762</b>
<b>Underlying funds</b>	<b>3 274</b>	–	–	<b>3 274</b>
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>2 709</b>	–	<b>2 709</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>49 036</b>	<b>2 709</b>	–	<b>51 745</b>
<b>% of total portfolio</b>	<b>94.8</b>	<b>5.2</b>	–	<b>100.0</b>

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>43 432</b>	–	–	<b>43 432</b>
<b>Underlying funds</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>5 819</b>	–	<b>5 819</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>43 432</b>	<b>5 819</b>	–	<b>49 251</b>
<b>% of total portfolio</b>	<b>88.2</b>	<b>11.8</b>	–	<b>100.0</b>

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Administration fees
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a*	0.02%

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



June 30, 2018

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

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

	June 30 2018	December 31 2017
<b>Units held</b>		
Series A	106	106
Series F	109	109
Series O	92	92
<b>Value of all units</b>	<b>5</b>	<b>5</b>

**Unconsolidated structured entities (%)  
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	June 30 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
SPDR S&P 500 ETF Trust	6.4	–	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2017.

**Redeemable units (000s)**

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

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

	2018	2017
<b>Series A</b>		
Opening units	1 316	1 091
Issued number of units	274	293
Reinvested number of units	–	–
Redeemed number of units	(231)	(146)
Ending number of units	1 359	1 238
<b>Advisor Series</b>		
Opening units	243	296
Issued number of units	8	32
Reinvested number of units	–	–
Redeemed number of units	(32)	(43)
Ending number of units	219	285

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

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

	2018	2017
<b>Series D</b>		
Opening units	282	224
Issued number of units	112	79
Reinvested number of units	–	–
Redeemed number of units	(58)	(37)
Ending number of units	336	266
<b>Series F</b>		
Opening units	1 063	948
Issued number of units	150	194
Reinvested number of units	–	–
Redeemed number of units	(154)	(71)
Ending number of units	1 059	1 071
<b>Series O</b>		
Opening units	314	68
Issued number of units	132	148
Reinvested number of units	–	–
Redeemed number of units	(89)	(22)
Ending number of units	357	194

**Transaction costs (\$000s except %)**

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Total transaction costs	7	100	6	100
Related-party brokerage commissions*	1	14	–	–
Commission arrangements <sup>†</sup>	2	29	1	17

\* See note 8 in the generic notes.

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

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

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

	June 30 2018	June 30 2017
Fair value of securities loaned	6 156	1 183
Fair value of collateral received	6 279	1 207

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Gross revenue	1	100	1	100
RBC IS (paid)	–	(25)	–	(31)
Tax withheld	–	(3)	–	(8)
Fund revenue	1	72	1	61





June 30, 2018

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

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

	<b>June 30</b>	December 31
	<b>2018</b>	2017
RBC Retirement 2020 Portfolio	<b>1.0</b>	1.1
RBC Retirement 2025 Portfolio	<b>1.8</b>	1.3
RBC Retirement 2030 Portfolio	<b>2.4</b>	1.8
RBC Retirement 2035 Portfolio	<b>1.8</b>	1.2
RBC Retirement 2040 Portfolio	<b>1.2</b>	0.6
RBC Retirement 2045 Portfolio	<b>0.6</b>	0.3
RBC Retirement 2050 Portfolio	<b>0.2</b>	–
RBC U.S. Equity Value Class	<b>1.7</b>	1.4
<b>Total</b>	<b>10.7</b>	7.7

## 1. The Funds

The Funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of Ontario or British Columbia. RBC GAM is the manager and portfolio manager of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. RBC GAM is also the trustee of those Funds governed by the laws of the Province of Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on August 9, 2018.

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

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

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

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

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

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

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

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

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

## 2. Financial period

The information provided in these financial statements and notes thereto is for the six-month periods ended June 30, 2018 and 2017, or as at June 30, 2018 and December 31, 2017, as applicable. 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 compliance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies of the Funds, which are investment entities, are as follows:

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

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the current or comparative period. The Funds’ financial assets and financial liabilities previously designated as FVTPL under IAS 39 Financial Instruments continue to be measured as FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost.

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

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

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

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

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

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

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

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

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

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

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The hierarchy of inputs is summarized below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Total Return Swaps* – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in "Derivative income" in the Statements of Comprehensive Income.

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Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

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

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

**Fair Valuation of Investments** – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. Management also has procedures in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only

if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

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

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

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

**Functional Currency** The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. Short-Term Corporate Bond Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, RBC \$U.S. Strategic Income Bond Fund, BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

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

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

**Income Recognition** Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. "Income from investment trusts" includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as "Interest expense" in the Statements of Comprehensive Income.

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

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

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

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

#### 4. Critical accounting judgments and estimates

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

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

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

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

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

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

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

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

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

#### **Liquidity risk**

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

#### **Credit risk**

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

#### **Concentration risk**

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

#### **Interest rate risk**

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

#### **Currency risk**

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

#### **Other price risk**

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

## **6. Taxes**

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

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

## 7. Securities lending revenue

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

## 8. Administrative and other related-party transactions

### ***Manager and Portfolio Manager***

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

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

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds, and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but

not limited to, GST/HST). Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

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

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

### ***Sub-Advisors***

RBC Global Asset Management (U.S.) Inc. is the sub-advisor for the RBC \$U.S. Investment Grade Corporate Bond Fund, RBC U.S. Mid-Cap Growth Equity Fund, RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund, RBC U.S. Mid-Cap Value Equity Fund, RBC U.S. Small-Cap Core Equity Fund, RBC U.S. Small-Cap Value Equity Fund and Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund (for a portion of the Fund). RBC Global Asset Management (UK) Limited is the sub-advisor for the RBC Global Bond Fund



(for a portion of the Fund), RBC Global Corporate Bond Fund (for a portion of the Fund), RBC U.S. Monthly Income Fund (for a portion of the Fund), RBC Balanced Fund (for the European equity portion of the Fund), RBC Global Balanced Fund (for the European equity portion of the Fund), RBC International Dividend Growth Fund, RBC International Equity Fund (for the European equity portion of the Fund), RBC European Dividend Fund, RBC European Equity Fund, RBC European Mid-Cap Equity Fund, RBC Emerging Markets Dividend Fund, RBC Emerging Markets Equity Fund, RBC Emerging Markets Small-Cap Equity Fund, RBC Global Dividend Growth Fund, RBC Global Dividend Growth Currency Neutral Fund, RBC Global Equity Fund, RBC Global Equity Focus Fund, RBC Vision Global Equity Fund, RBC Vision Fossil Fuel Free Global Equity Fund, Phillips, Hager & North Overseas Equity Fund and Phillips, Hager & North Global Equity Fund. RBC Investment Management (Asia) Limited is the sub-advisor for the RBC Balanced Fund (for the Asian equity portion of the Fund), RBC Global Balanced Fund (for the Asian equity portion of the Fund), RBC Vision Balanced Fund (for the Asian equity portion of the Fund), RBC International Dividend Growth Fund (for the Asian equity portion of the Fund), RBC International Equity Fund (for the Asian equity portion of the Fund), RBC Asian Equity Fund, RBC Asia Pacific Ex-Japan Equity Fund and RBC Japanese Equity Fund. BlueBay Asset Management LLP is the sub-advisor of the BlueBay Global Monthly Income Bond Fund, BlueBay Global Sovereign Bond Fund (Canada), BlueBay Global Investment Grade Corporate Bond Fund (Canada), BlueBay European High Yield Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada) and BlueBay \$U.S. Global Convertible Bond Fund (Canada).

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

#### **Trustee**

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

#### **Distributors**

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

#### **Custodian**

RBC IS is the custodian and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

#### **Registrars**

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

#### **Brokers and Dealers**

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

#### **Securities Lending Agent**

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

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

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

#### **Related-Party Trading Activities**

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;

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- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

*Inter-Fund Trading*

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

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

## 9. Revision of comparative information

Where applicable, certain comparative figures on the Statements of Cash Flow have been revised.

Amounts reclassified to “Non-cash distributions from underlying funds” have been presented separately from amounts related to “Cost of investments purchased” to appropriately reflect the non-cash components of investments purchased. The impact on the “Net cash provided by (used in) operating activities” is nil.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

RBC Monthly Income Bond Fund, RBC Bond Fund, RBC Global Bond Fund, RBC Global Corporate Bond Fund, RBC Global High Yield Bond Fund, RBC Strategic Income Bond Fund, RBC Emerging Markets Bond Fund (CAD Hedged), RBC Managed Payout Solution, RBC Managed Payout Solution – Enhanced, RBC Managed Payout Solution – Enhanced Plus, RBC Monthly Income Fund, RBC U.S. Monthly Income Fund, RBC Balanced Fund, RBC Global Balanced Fund, RBC Conservative Growth & Income Fund, RBC Balanced Growth & Income Fund, RBC Global Growth & Income Fund, RBC Retirement Income Solution,

RBC Retirement 2020 Portfolio, RBC Retirement 2025 Portfolio, RBC Retirement 2030 Portfolio, RBC Retirement 2035 Portfolio, RBC Retirement 2040 Portfolio, RBC Retirement 2045 Portfolio, RBC Retirement 2050 Portfolio, RBC Select Very Conservative Portfolio, RBC Select Conservative Portfolio, RBC Select Balanced Portfolio, RBC Select Growth Portfolio, RBC Select Aggressive Growth Portfolio, RBC Select Choices Conservative Portfolio, RBC Select Choices Balanced Portfolio, RBC Select Choices Aggressive Growth Portfolio, RBC Target 2020 Education Fund, RBC Target 2025 Education Fund, RBC Target 2030 Education Fund, RBC Emerging Markets Multi-Strategy Equity Fund, RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool, RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool, Phillips, Hager & North Total Return Bond Fund, Phillips, Hager & North Monthly Income Fund, Phillips, Hager & North Balanced Fund, Phillips, Hager & North LifeTime 2015 Fund, Phillips, Hager & North LifeTime 2020 Fund, Phillips, Hager & North LifeTime 2025 Fund, Phillips, Hager & North LifeTime 2030 Fund, Phillips, Hager & North LifeTime 2035 Fund, Phillips, Hager & North LifeTime 2040 Fund, Phillips, Hager & North LifeTime 2045 Fund and Phillips, Hager & North LifeTime 2050 Fund.

Amounts reclassified to “(Increase) decrease in margin accounts” have been presented separately from amounts related to “Cash (bank overdraft), beginning of period,” to appropriately separate changes in margin accounts.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

RBC Bond Fund, RBC Global Bond Fund, RBC Global Corporate Bond Fund, RBC Global High Yield Bond Fund, BlueBay Global Monthly Income Bond Fund, BlueBay Global Sovereign Bond Fund (Canada), BlueBay Global Investment Grade Corporate Bond Fund (Canada), BlueBay European High Yield Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada), BlueBay \$U.S. Global Convertible Bond Fund (Canada), RBC Monthly Income Fund, RBC Balanced Fund, RBC Global Balanced Fund, RBC Select Very Conservative Portfolio, RBC Select Conservative Portfolio, RBC Select Balanced Portfolio, RBC Select Growth Portfolio, RBC Select Aggressive Growth Portfolio, RBC North American Growth Fund, RBC U.S. Index Currency Neutral Fund, RBC International Index Currency Neutral Fund and Phillips, Hager & North Total Return Bond Fund.

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Where applicable, certain comparative figures on the Statements of Comprehensive Income have been revised due to the implementation of IFRS 9. Certain amounts previously recorded as “Net gain (loss) on foreign currencies and other net assets,” “Other derivatives” and “Net gain (loss) from futures contracts” are now recorded as “Derivative income.” And certain amounts previously recorded as “Other income (loss)” are now recorded as “Income from investment trusts.”

Comparative figures on the Statements of Comprehensive Income have been revised for the following funds:

RBC Canadian Short-Term Income Fund, RBC Monthly Income Bond Fund, RBC Bond Fund, RBC Vision Bond Fund, RBC Global Bond Fund, RBC Global Corporate Bond Fund, RBC High Yield Bond Fund, RBC \$U.S. High Yield Bond Fund, RBC Global High Yield Bond Fund, RBC Strategic Income Bond Fund, RBC Emerging Markets Foreign Exchange Fund, RBC Emerging Markets Bond Fund, RBC Emerging Markets Bond Fund (CAD Hedged), BlueBay Global Monthly Income Bond Fund, BlueBay Global Sovereign Bond Fund (Canada), BlueBay Global Investment Grade Corporate Bond Fund (Canada), BlueBay European High Yield Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada), BlueBay \$U.S. Global Convertible Bond Fund (Canada), RBC Managed Payout Solution, RBC Managed Payout Solution – Enhanced, RBC Managed Payout Solution – Enhanced Plus, RBC Monthly Income Fund, RBC U.S. Monthly Income Fund, RBC Balanced Fund, RBC Global Balanced Fund, RBC Vision Balanced Fund, RBC Conservative Growth & Income Fund, RBC Balanced Growth & Income Fund, RBC Global Growth & Income Fund, RBC Retirement Income Solution, RBC Retirement 2020 Portfolio, RBC Retirement 2025 Portfolio, RBC Retirement 2030 Portfolio, RBC Retirement 2035 Portfolio, RBC Retirement 2040 Portfolio, RBC Retirement 2045 Portfolio, RBC Retirement 2050 Portfolio, RBC Select Very Conservative Portfolio, RBC Select Conservative Portfolio, RBC Select Balanced Portfolio, RBC Select Growth Portfolio, RBC Select Aggressive Growth Portfolio, RBC Select Choices Conservative Portfolio, RBC Select Choices Balanced Portfolio, RBC Select Choices Growth Portfolio, RBC Select Choices Aggressive Growth Portfolio, RBC Target 2020 Education Fund, RBC Target 2025 Education Fund, RBC Target 2030 Education Fund, RBC Canadian Dividend Fund, RBC Canadian Equity Fund, RBC QUBE Canadian Equity Fund, RBC QUBE Low Volatility Canadian Equity Fund, RBC Trend Canadian Equity Fund, RBC Vision Canadian Equity Fund, RBC Canadian Index Fund, RBC O’Shaughnessy Canadian Equity Fund, RBC O’Shaughnessy All-Canadian Equity Fund,

RBC Canadian Equity Income Fund, RBC North American Value Fund, RBC North American Growth Fund, RBC U.S. Dividend Fund, RBC U.S. Dividend Currency Neutral Fund, RBC U.S. Equity Fund, RBC U.S. Equity Currency Neutral Fund, RBC QUBE U.S. Equity Fund, RBC QUBE Low Volatility U.S. Equity Fund, RBC QUBE Low Volatility U.S. Equity Currency Neutral Fund, RBC U.S. Index Fund, RBC U.S. Index Currency Neutral Fund, RBC O’Shaughnessy U.S. Value Fund, RBC U.S. Mid-Cap Growth Equity Fund, RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund, RBC U.S. Mid-Cap Value Equity Fund, RBC U.S. Small-Cap Core Equity Fund, RBC U.S. Small-Cap Value Equity Fund, RBC O’Shaughnessy U.S. Growth Fund, RBC O’Shaughnessy U.S. Growth Fund II, RBC International Dividend Growth Fund, RBC International Equity Fund, RBC International Equity Currency Neutral Fund, RBC International Index Currency Neutral Fund, RBC O’Shaughnessy International Equity Fund, RBC European Dividend Fund, RBC European Equity Fund, RBC European Mid-Cap Equity Fund, RBC Asian Equity Fund, RBC Asia Pacific ex-Japan Equity Fund, RBC Japanese Equity Fund, RBC Emerging Markets Multi-Strategy Equity Fund, RBC Emerging Markets Dividend Fund, RBC Emerging Markets Equity Fund, RBC Emerging Markets Small-Cap Equity Fund, RBC Global Dividend Growth Fund, RBC Global Dividend Growth Currency Neutral Fund, RBC Global Equity Fund, RBC Global Equity Focus Fund, RBC QUBE Global Equity Fund, RBC QUBE Low Volatility Global Equity Fund, RBC Vision Global Equity Fund, RBC Vision Fossil Fuel Free Global Equity Fund, RBC O’Shaughnessy Global Equity Fund, RBC QUBE All Country World Equity Fund, RBC QUBE Low Volatility All Country World Equity Fund, RBC Global Energy Fund, RBC Global Precious Metals Fund, RBC Global Resources Fund, RBC Global Technology Fund, RBC Private Canadian Corporate Bond Pool, RBC Private Income Pool, RBC Private Canadian Dividend Pool, RBC Private Canadian Growth and Income Equity Pool, RBC Private Canadian Equity Pool, RBC Private Canadian Mid-Cap Equity Pool, RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool, RBC Private U.S. Large-Cap Core Equity Pool, RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool, RBC Private EAFE Equity Pool, Phillips, Hager & North Bond Fund, Phillips, Hager & North Total Return Bond Fund, Phillips, Hager & North High Yield Bond Fund, Phillips, Hager & North Monthly Income Fund, Phillips, Hager & North Balanced Fund, Phillips, Hager & North Dividend Income Fund, Phillips, Hager & North Canadian Equity Value Fund, Phillips, Hager & North Canadian Equity Underlying Fund, Phillips, Hager & North Canadian Equity Underlying Fund II, Phillips, Hager & North Canadian

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Growth Fund, Phillips, Hager & North Canadian Income Fund, Phillips, Hager & North Vintage Fund, Phillips, Hager & North U.S. Dividend Income Fund, Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund, Phillips, Hager & North U.S. Equity Fund, Phillips, Hager & North Currency-Hedged U.S. Equity Fund, Phillips, Hager & North Overseas Equity Fund, Phillips, Hager & North Currency-Hedged Overseas Equity Fund, Phillips, Hager & North Global Equity Fund, Phillips, Hager & North LifeTime 2015 Fund, Phillips, Hager & North LifeTime 2020 Fund, Phillips, Hager & North LifeTime 2025 Fund, Phillips, Hager & North LifeTime 2030 Fund, Phillips, Hager & North LifeTime 2035 Fund, Phillips, Hager & North LifeTime 2040 Fund, Phillips, Hager & North LifeTime 2045 Fund and Phillips, Hager & North LifeTime 2050 Fund.

Where applicable, certain comparative figures in the Fair Value Hierarchy table have been revised to reflect the investment in exchange-traded funds as part of “Underlying funds” rather than as “Equities.” Comparative figures in the Fair Value Hierarchy table have been revised for the following funds:

RBC U.S. Monthly Income Fund, RBC Balanced Fund, RBC Global Balanced Fund, RBC Balanced Growth & Income Fund, RBC North American Value Fund, RBC North American Growth Fund, RBC U.S. Dividend Fund, RBC U.S. Dividend Currency Neutral Fund, RBC U.S. Equity Fund, RBC U.S. Equity Currency Neutral Fund, RBC U.S. Index Currency Neutral Fund, RBC U.S. Small-Cap Core Equity Fund, RBC Life Science and Technology Fund, RBC International Index Currency Neutral Fund, Phillips, Hager & North U.S. Dividend Income Fund, Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund, Phillips, Hager & North LifeTime 2015 Fund, Phillips, Hager & North LifeTime 2020 Fund, Phillips, Hager & North LifeTime 2025 Fund, Phillips, Hager & North LifeTime 2030 Fund, Phillips, Hager & North LifeTime 2035 Fund, Phillips, Hager & North LifeTime 2040 Fund, Phillips, Hager & North LifeTime 2045 Fund and Phillips, Hager & North LifeTime 2050 Fund.