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.

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

August 9, 2023

**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)

# PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

June 30, 2023

| | Holdings | Cost ($) | Fair Value ($) | % of Net Assets |
|---|---|---|---|---|
| **INTERNATIONAL EQUITIES** | | | | |
| **Australia** | | | | |
| Woodside Energy Group Ltd. | 2 022 887 | 67 638 | 61 988 | |
| | | 67 638 | 61 988 | **2.7** |
| **Austria** | | | | |
| Erste Group Bank AG | 723 156 | 31 119 | 33 605 | |
| | | 31 119 | 33 605 | **1.5** |
| **Belgium** | | | | |
| Anheuser-Busch InBev S.A./N.V. | 1 829 722 | 171 234 | 137 382 | |
| | | 171 234 | 137 382 | **6.0** |
| **Denmark** | | | | |
| Orsted A/S | 223 502 | 27 778 | 28 069 | |
| | | 27 778 | 28 069 | **1.2** |
| **Finland** | | | | |
| Neste Oyj | 755 280 | 41 236 | 38 525 | |
| | | 41 236 | 38 525 | **1.7** |
| **France** | | | | |
| Eurofins Scientific SE | 599 636 | 55 688 | 50 480 | |
| LVMH Moet Hennessy Louis Vuitton SE | 80 182 | 73 370 | 100 157 | |
| Safran S.A. | 546 896 | 105 650 | 113 536 | |
| | | 234 708 | 264 173 | **11.6** |
| **Germany** | | | | |
| DHL Group | 2 010 257 | 95 729 | 130 124 | |
| | | 95 729 | 130 124 | **5.7** |
| **Hong Kong** | | | | |
| AIA Group Ltd. | 7 612 247 | 83 857 | 102 421 | |
| | | 83 857 | 102 421 | **4.5** |
| **India** | | | | |
| HDFC Bank Ltd. | 2 160 943 | 43 007 | 59 409 | |
| | | 43 007 | 59 409 | **2.6** |
| **Ireland** | | | | |
| Kerry Group Plc. Class A | 765 480 | 123 954 | 98 977 | |
| | | 123 954 | 98 977 | **4.3** |
| **Japan** | | | | |
| Astellas Pharma Inc. | 4 577 054 | 84 845 | 90 300 | |
| MISUMI Group Inc. | 1 160 191 | 36 920 | 30 944 | |
| NIDEC Corp. | 680 582 | 58 726 | 49 683 | |
| Oriental Land Co. Ltd. | 2 016 810 | 67 719 | 104 162 | |
| Recruit Holdings Co. Ltd. | 1 277 836 | 64 910 | 54 027 | |
| | | 313 120 | 329 116 | **14.4** |
| **Netherlands** | | | | |
| Adyen N.V. | 24 915 | 45 086 | 57 156 | |
| Wolters Kluwer N.V. | 440 087 | 54 022 | 74 026 | |
| | | 99 108 | 131 182 | **5.7** |
| **Norway** | | | | |
| Equinor ASA | 1 900 627 | 56 336 | 73 317 | |
| | | 56 336 | 73 317 | **3.2** |
| **Singapore** | | | | |
| DBS Group Holdings Ltd. | 2 957 843 | 74 747 | 91 506 | |
| | | 74 747 | 91 506 | **4.0** |
| **Sweden** | | | | |
| Atlas Copco AB Class A | 1 365 877 | 22 767 | 26 123 | |
| Essity AB Class B | 2 513 427 | 89 684 | 88 674 | |
| | | 112 451 | 114 797 | **5.0** |
| **Switzerland** | | | | |
| Partners Group Holding AG | 25 247 | 22 585 | 31 534 | |
| Roche Holding AG | 219 540 | 82 946 | 88 842 | |
| | | 105 531 | 120 376 | **5.3** |
| **Taiwan** | | | | |
| E.Sun Financial Holding Co. Ltd. | 24 136 051 | 24 899 | 26 789 | |
| Taiwan Semiconductor Manufacturing Co. Ltd. - ADR | 746 167 | 67 518 | 99 758 | |
| | | 92 417 | 126 547 | **5.5** |
| **United Kingdom** | | | | |
| Croda International Plc. | 525 049 | 45 617 | 49 722 | |
| InterContinental Hotels Group Plc. | 1 147 017 | 84 806 | 105 039 | |
| Legal & General Group Plc. | 16 663 899 | 75 069 | 63 915 | |
| Rio Tinto Plc. | 912 733 | 73 906 | 76 841 | |
| St James's Place Plc. | 1 641 613 | 28 786 | 30 075 | |
| | | 308 184 | 325 592 | **14.2** |
| **TOTAL INTERNATIONAL EQUITIES** | | 2 082 154 | 2 267 106 | **99.1** |
| **SHORT-TERM INVESTMENTS*** | | 19 245 | 19 245 | **0.9** |
| **TOTAL INVESTMENTS** | | 2 101 399 | 2 286 351 | **100.0** |
| **OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS** | | | (421) | – |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS** | | | 2 285 930 | **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 4.70% to 4.94% and mature between July 4, 2023 and July 19, 2023.

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

## Statements of Financial Position *(unaudited)*

*(in $000s except per unit amounts)*

| (see note 2 in the generic notes) | June 30 2023 | December 31 2022 |
|---|---|---|
| **ASSETS** | | |
| Investments at fair value | **$ 2 286 351** | $ 2 295 084 |
| Cash | **138** | – |
| Due from investment dealers | **–** | 2 385 |
| Subscriptions receivable | **764** | 1 285 |
| Dividends receivable, interest accrued and other assets | **908** | 549 |
| **TOTAL ASSETS** | **2 288 161** | 2 299 303 |
| **LIABILITIES** | | |
| Bank overdraft | **–** | 133 |
| Redemptions payable | **714** | 545 |
| Unrealized loss on foreign exchange contracts | **–** | 4 |
| Accounts payable and accrued expenses | **1 517** | 1 887 |
| **TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS** | **2 231** | 2 569 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")** | **$ 2 285 930** | $ 2 296 734 |
| Investments at cost | **$ 2 101 399** | $ 2 115 175 |
| **NAV** | | |
| **SERIES A** | **$ 7 953** | $ 8 300 |
| **SERIES AZ** | **$ 6 406** | $ 6 238 |
| **SERIES D** | **$ 212 738** | $ 212 676 |
| **SERIES DZ** | **$ 37 252** | $ 34 944 |
| **SERIES F** | **$ 86 977** | $ 85 943 |
| **SERIES FZ** | **$ 17 486** | $ 17 442 |
| **SERIES O** | **$ 1 917 118** | $ 1 931 191 |
| **NAV PER UNIT** | | |
| **SERIES A** | **$ 17.93** | $ 17.35 |
| **SERIES AZ** | **$ 9.03** | $ 8.74 |
| **SERIES D** | **$ 18.13** | $ 17.46 |
| **SERIES DZ** | **$ 9.08** | $ 8.74 |
| **SERIES F** | **$ 17.31** | $ 16.65 |
| **SERIES FZ** | **$ 9.09** | $ 8.74 |
| **SERIES O** | **$ 18.57** | $ 17.78 |

## Statements of Comprehensive Income *(unaudited)*

*(in $000s except per unit amounts)*

| For the periods ended June 30 (see note 2 in the generic notes) | 2023 | 2022 |
|---|---|---|
| **INCOME (see note 3 in the generic notes)** | | |
| Dividends | **$ 52 340** | $ 43 780 |
| Interest for distribution purposes | **374** | 51 |
| Derivative income (loss) | **61** | 1 |
| Net realized gain (loss) on investments | **53 671** | (56 162) |
| Change in unrealized gain (loss) on investments | **5 047** | (631 721) |
| **TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES** | **111 493** | (644 051) |
| Other income (loss) | **1** | 443 |
| Securities lending revenue (see note 7 in the generic notes) | **163** | 152 |
| Net gain (loss) on foreign cash balances | **(1 619)** | (208) |
| **TOTAL OTHER INCOME (LOSS)** | **(1 455)** | 387 |
| **TOTAL INCOME (LOSS)** | **110 038** | (643 664) |
| **EXPENSES (see notes – Fund Specific Information)** | | |
| Management fees | **1 795** | 1 722 |
| Administration fees | **456** | 474 |
| Independent Review Committee costs | **1** | – |
| GST/HST | **187** | 180 |
| Transaction costs | **959** | 1 035 |
| Withholding tax | **5 911** | 5 847 |
| **TOTAL EXPENSES** | **9 309** | 9 258 |
| **INCREASE (DECREASE) IN NAV** | **$ 100 729** | $ (652 922) |
| **INCREASE (DECREASE) IN NAV** | | |
| **SERIES A** | **$ 287** | $ (2 746) |
| **SERIES AZ** | **$ 211** | $ (967) |
| **SERIES D** | **$ 8 169** | $ (63 183) |
| **SERIES DZ** | **$ 1 342** | $ (4 413) |
| **SERIES F** | **$ 3 406** | $ (23 350) |
| **SERIES FZ** | **$ 699** | $ (2 545) |
| **SERIES O** | **$ 86 615** | $ (555 718) |
| **INCREASE (DECREASE) IN NAV PER UNIT** | | |
| **SERIES A** | **$ 0.63** | $ (5.01) |
| **SERIES AZ** | **$ 0.30** | $ (2.36) |
| **SERIES D** | **$ 0.68** | $ (4.91) |
| **SERIES DZ** | **$ 0.33** | $ (2.34) |
| **SERIES F** | **$ 0.67** | $ (4.66) |
| **SERIES FZ** | **$ 0.36** | $ (2.35) |
| **SERIES O** | **$ 0.82** | $ (4.87) |

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

| For the periods ended June 30 (see note 2 in the generic notes) | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Increase (decrease) in NAV | **$ 100 729** | $ (652 922) |
| **ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS** | | |
| Interest for distribution purposes | **(134)** | (47) |
| Non-cash dividends | **–** | – |
| Non-cash distributions from underlying funds | **–** | – |
| Net realized loss (gain) on investments | **(53 671)** | 56 162 |
| Change in unrealized loss (gain) on investments | **(5 047)** | 631 721 |
| (Increase) decrease in accrued receivables | **(359)** | (600) |
| Increase (decrease) in accrued payables | **(370)** | (648) |
| (Increase) decrease in margin accounts | **–** | – |
| Cost of investments purchased* | **(1 689 047)** | (766 575) |
| Proceeds from sale and maturity of investments* | **1 759 013** | 687 659 |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | **111 114** | (45 250) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of redeemable units* | **54 855** | 256 361 |
| Cash paid on redemption of redeemable units* | **(165 698)** | (222 667) |
| Distributions paid to holders of redeemable units | **–** | (1 269) |
| **NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES** | **$ (110 843)** | $ 32 425 |
| Net increase (decrease) in cash for the period | **271** | (12 825) |
| Cash (bank overdraft), beginning of period | **(133)** | 12 841 |
| **CASH (BANK OVERDRAFT), END OF PERIOD** | **$ 138** | $ 16 |
| | | |
| Interest received (paid)† | **$ 239** | $ 5 |
| Income from investment trusts received (paid)†‡ | **$ –** | $ – |
| Dividends received (paid)†‡ | **$ 45 714** | $ 38 927 |

* Excludes in-kind transactions.
† Classified as part of operating activities.
‡ Net of withholding taxes, if applicable.

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

| For the periods ended June 30 (see note 2 in the generic notes) | Series A | | Series AZ | | Series D | | Series DZ | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| **NAV AT BEGINNING OF PERIOD** | **$ 8 300** | $ 12 314 | **$ 6 238** | $ – | **$ 212 676** | $ 279 446 | **$ 34 944** | $ – |
| **INCREASE (DECREASE) IN NAV** | **287** | (2 746) | **211** | (967) | **8 169** | (63 183) | **1 342** | (4 413) |
| Early redemption fees | **–** | – | **–** | – | **–** | – | **–** | – |
| Proceeds from redeemable units issued | **114** | 393 | **385** | 7 560 | **3 245** | 7 104 | **2 074** | 35 372 |
| Reinvestments of distributions to holders of redeemable units | **–** | – | **–** | – | **–** | – | **–** | – |
| Redemption of redeemable units | **(748)** | (1 516) | **(428)** | (345) | **(11 352)** | (20 946) | **(1 108)** | (1 368) |
| **NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS** | **(634)** | (1 123) | **(43)** | 7 215 | **(8 107)** | (13 842) | **966** | 34 004 |
| Distributions from net income | **–** | – | **–** | – | **–** | – | **–** | – |
| Distributions from net gains | **–** | – | **–** | – | **–** | – | **–** | – |
| Distributions from capital | **–** | – | **–** | – | **–** | – | **–** | – |
| **TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS** | **–** | – | **–** | – | **–** | – | **–** | – |
| **NET INCREASE (DECREASE) IN NAV** | **(347)** | (3 869) | **168** | 6 248 | **62** | (77 025) | **2 308** | 29 591 |
| **NAV AT END OF PERIOD** | **$ 7 953** | $ 8 445 | **$ 6 406** | $ 6 248 | **$ 212 738** | $ 202 421 | **$ 37 252** | $ 29 591 |

| For the periods ended June 30 (see note 2 in the generic notes) | Series F | | Series FZ | | Series O | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| **NAV AT BEGINNING OF PERIOD** | **$ 85 943** | $ 95 215 | **$ 17 442** | $ – | **$ 1 931 191** | $ 2 445 935 | **$ 2 296 734** | $ 2 832 910 |
| **INCREASE (DECREASE) IN NAV** | **3 406** | (23 350) | **699** | (2 545) | **86 615** | (555 718) | **100 729** | (652 922) |
| Early redemption fees | **–** | – | **–** | – | **–** | – | **–** | – |
| Proceeds from redeemable units issued | **7 640** | 20 517 | **329** | 20 391 | **46 358** | 181 257 | **60 145** | 272 594 |
| Reinvestments of distributions to holders of redeemable units | **–** | – | **–** | – | **–** | 2 226 | **–** | 2 226 |
| Redemption of redeemable units | **(10 012)** | (10 176) | **(984)** | (1 184) | **(147 046)** | (205 802) | **(171 678)** | (241 337) |
| **NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS** | **(2 372)** | 10 341 | **(655)** | 19 207 | **(100 688)** | (22 319) | **(111 533)** | 33 483 |
| Distributions from net income | **–** | – | **–** | – | **–** | (3 495) | **–** | (3 495) |
| Distributions from net gains | **–** | – | **–** | – | **–** | – | **–** | – |
| Distributions from capital | **–** | – | **–** | – | **–** | – | **–** | – |
| **TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS** | **–** | – | **–** | – | **–** | (3 495) | **–** | (3 495) |
| **NET INCREASE (DECREASE) IN NAV** | **1 034** | (13 009) | **44** | 16 662 | **(14 073)** | (581 532) | **(10 804)** | (622 934) |
| **NAV AT END OF PERIOD** | **$ 86 977** | $ 82 206 | **$ 17 486** | $ 16 662 | **$ 1 917 118** | $ 1 864 403 | **$ 2 285 930** | $ 2 209 976 |

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

The investment objective of the Fund is to provide investors with long-term capital growth by investing in common stocks in companies located in countries outside North America, including countries in Europe, the Far East (including Japan) and Australia.

Effective September 15, 2021, the Fund was closed to new investors. Existing investors who held units of the Fund on September 15, 2021 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

Effective April 8, 2022, Series AZ, Series DZ and Series FZ units of the Fund are capped and are no longer available for purchase by new investors. Existing investors who hold Series AZ, Series DZ and Series FZ units of the Fund can continue to make additional investments into these series.

Series AZ, Series DZ and Series FZ units were started January 24, 2022.

## 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:

| Investment mix | **June 30 2023** | December 31 2022 |
|---|---|---|
| Japan | **14.4** | 13.2 |
| United Kingdom | **14.2** | 17.9 |
| France | **11.6** | 4.6 |
| Belgium | **6.0** | 6.7 |
| Germany | **5.7** | 4.6 |
| Netherlands | **5.7** | 4.1 |
| Taiwan | **5.5** | 6.0 |
| Switzerland | **5.3** | 7.6 |
| Sweden | **5.0** | 2.7 |
| Hong Kong | **4.5** | 6.7 |
| Ireland | **4.3** | 4.2 |
| Singapore | **4.0** | 4.6 |
| Norway | **3.2** | 4.2 |
| Australia | **2.7** | 2.0 |
| India | **2.6** | 2.6 |
| Finland | **1.7** | 3.1 |
| Austria | **1.5** | 2.3 |
| Denmark | **1.2** | 2.8 |
| Cash/Other | **0.9** | 0.1 |
| Total | **100.0** | 100.0 |

### *Currency risk (% of NAV)*

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

| Currency | **June 30 2023** | December 31 2022 |
|---|---|---|
| Euro | **36.5** | 32.6 |
| Japanese yen | **14.4** | 13.2 |
| Pound sterling | **14.2** | 15.0 |
| Swiss franc | **5.2** | 7.6 |
| Swedish krona | **5.0** | 2.7 |
| Hong Kong dollar | **4.5** | 6.7 |
| United States dollar | **4.4** | 4.6 |
| Singapore dollar | **4.0** | 4.6 |
| Norwegian krone | **3.2** | 4.2 |
| Australian dollar | **2.7** | 2.0 |
| Indian rupee | **2.6** | 2.6 |
| Danish krone | **1.2** | 2.8 |
| New Taiwan dollar | **1.2** | 1.4 |
| Total | **99.1** | 100.0 |

As at June 30, 2023, 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, 2022 – 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 10% 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:

| | **June 30 2023** | | December 31 2022 | |
|---|---|---|---|---|
| MSCI EAFE Total Return Net Index (CAD) | **+ or -** | **10.6** | + or - | 11.1 |

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, 2023 and December 31, 2022.

| **June 30, 2023** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Equities** | **99 758** | **2 167 348** | **–** | **2 267 106** |
| **Underlying funds** | **–** | **–** | **–** | **–** |
| **Fixed-income and debt securities** | **–** | **–** | **–** | **–** |
| **Short-term investments** | **–** | **19 245** | **–** | **19 245** |
| **Derivatives – assets** | **–** | **–** | **–** | **–** |
| **Derivatives – liabilities** | **–** | **–** | **–** | **–** |
| **Total financial instruments** | **99 758** | **2 186 593** | **–** | **2 286 351** |
| **% of total portfolio** | **4.4** | **95.6** | **–** | **100.0** |

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equities | 104 719 | 2 188 610 | – | 2 293 329 |
| Underlying funds | – | – | – | – |
| Fixed-income and debt securities | – | – | – | – |
| Short-term investments | – | 1 755 | – | 1 755 |
| Derivatives – assets | – | – | – | – |
| Derivatives – liabilities | – | (4) | – | (4) |
| Total financial instruments | 104 719 | 2 190 361 | – | 2 295 080 |
| % of total portfolio | 4.6 | 95.4 | – | 100.0 |

For the periods ended June 30, 2023 and December 31, 2022, 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 | 1.75% | 0.15% |
| Series AZ | 1.75% | 0.09% |
| Series D | 1.00% | 0.15% |
| Series DZ | 1.00% | 0.09% |
| Series F | 0.75% | 0.15% |
| Series FZ | 0.75% | 0.09% |
| Series O | n/a* | 0.02% |

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

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

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

| | **June 30 2023** | December 31 2022 |
|---|---|---|
| **Units held** | | |
| Series A | **54** | 54 |
| Series AZ | **606** | 606 |
| Series D | **58** | 58 |
| Series DZ | **242** | 242 |
| Series F | **64** | 64 |
| Series FZ | **527** | 527 |
| **Value of all units** | **16** | 15 |

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

The non-capital and capital losses for the Fund were approximately:

| As at December 31, 2022 | |
|---|---|
| Capital losses | 1 179 |
| Non-capital losses | – |

## Redeemable units (000s)

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

| For the periods ended June 30 (see note 2 in the generic notes) | **2023** | 2022 |
|---|---|---|
| **Series A** | | |
| Opening units | **478** | 585 |
| Issued number of units | **7** | 22 |
| Reinvested number of units | **–** | – |
| Redeemed number of units | **(41)** | (82) |
| Ending number of units | **444** | 525 |
| **Series AZ** | | |
| Opening units | **714** | – |
| Issued number of units | **42** | 810 |
| Reinvested number of units | **–** | – |
| Redeemed number of units | **(47)** | (39) |
| Ending number of units | **709** | 771 |
| **Series D** | | |
| Opening units | **12 183** | 13 206 |
| Issued number of units | **178** | 371 |
| Reinvested number of units | **–** | – |
| Redeemed number of units | **(625)** | (1 125) |
| Ending number of units | **11 736** | 12 452 |
| **Series DZ** | | |
| Opening units | **4 000** | – |
| Issued number of units | **225** | 3 783 |
| Reinvested number of units | **–** | – |
| Redeemed number of units | **(121)** | (149) |
| Ending number of units | **4 104** | 3 634 |

| For the periods ended June 30 (see note 2 in the generic notes) | **2023** | 2022 |
|---|---|---|
| **Series F** | | |
| Opening units | **5 162** | 4 718 |
| Issued number of units | **438** | 1 156 |
| Reinvested number of units | **–** | – |
| Redeemed number of units | **(575)** | (579) |
| Ending number of units | **5 025** | 5 295 |
| **Series FZ** | | |
| Opening units | **1 996** | – |
| Issued number of units | **36** | 2 186 |
| Reinvested number of units | **–** | – |
| Redeemed number of units | **(108)** | (142) |
| Ending number of units | **1 924** | 2 044 |
| **Series O** | | |
| Opening units | **108 618** | 113 350 |
| Issued number of units | **2 504** | 9 428 |
| Reinvested number of units | **–** | 117 |
| Redeemed number of units | **(7 903)** | (10 999) |
| Ending number of units | **103 219** | 111 896 |

## Transaction costs ($000s except %)

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

| | **June 30 2023** | | June 30 2022 | |
|---|---|---|---|---|
| | **$** | **%** | $ | % |
| Total transaction costs | **959** | **100** | 1 035 | 100 |
| Related-party brokerage commissions* | **–** | **–** | 2 | – |
| Commission arrangements† | **–** | **–** | – | – |

* See note 8 in the generic notes.

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

## 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 2023** | June 30 2022 |
|---|---|---|
| Fair value of securities loaned | **50 779** | 66 330 |
| Fair value of collateral received | **51 795** | 67 656 |

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 2023** | | June 30 2022 | |
|---|---|---|---|---|
| | **$** | **%** | $ | % |
| Gross revenue | **215** | **100** | 202 | 100 |
| RBC IS (paid) | **(52)** | **(24)** | (50) | (25) |
| Tax withheld | **–** | **–** | – | – |
| Fund revenue | **163** | **76** | 152 | 75 |

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

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

| | **June 30 2023** | December 31 2022 |
|---|---|---|
| Phillips, Hager & North Currency-Hedged Overseas Equity Fund | **6.7** | 6.7 |
| RBC $U.S. Global Balanced Portfolio | **0.2** | 0.2 |
| RBC Global All-Equity Portfolio | **4.9** | 4.7 |
| RBC Global Balanced Portfolio | **9.9** | 10.3 |
| RBC Global Conservative Portfolio | **3.2** | 3.5 |
| RBC Global Growth Portfolio | **6.9** | 6.8 |
| RBC Global Very Conservative Portfolio | **0.6** | 0.7 |
| Total | **32.4** | 32.9 |

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

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

| **June 30, 2023** | **Assets** | **Liabilities** |
|---|---|---|
| **Gross amounts – assets (liabilities)** | **–** | **–** |
| **Amounts set-off in the Statements of Financial Position** | **–** | **–** |
| **Net amounts presented in the Statements of Financial Position** | **–** | **–** |
| **Related amounts not set-off** | **–** | **–** |
| **Collateral (received) pledged** | **–** | **–** |
| **Net amount** | **–** | **–** |

| December 31, 2022 | Assets | Liabilities |
|---|---|---|
| Gross amounts – assets (liabilities) | – | (4) |
| Amounts set-off in the Statements of Financial Position | – | – |
| Net amounts presented in the Statements of Financial Position | – | (4) |
| Related amounts not set-off | – | – |
| Collateral (received) pledged | – | – |
| Net amount | – | (4) |

## Fund merger (000s except exchange ratios)

At the close of business on April 8, 2022, the Phillips, Hager & North Overseas Equity Class was merged into the Phillips, Hager & North Overseas Equity Fund. The acquisition method of accounting was adopted for the fund merger. Under this method, the Continuing Fund is identified as the acquiring fund and the Terminated Fund is the acquired fund. This identification was based on aspects of the Continuing Fund such as investment objectives, portfolio composition and asset size of the Fund.

Details of the Phillips, Hager & North Overseas Equity Class (the "Terminated Fund") and the Phillips, Hager & North Overseas Equity Fund (the "Continuing Fund") are as follows:

| | | |
|---|---|---|
| Net assets acquired by Continuing Fund | | |
| Series AZ | $ | 7 231 |
| Series DZ | $ | 35 197 |
| Series FZ | $ | 18 508 |
| Series O | $ | 31 528 |
| Exchange ratio Series AZ | | 2.51 |
| Units issued by Continuing Fund Series AZ | | 775 |
| Exchange ratio Series DZ | | 2.75 |
| Units issued by Continuing Fund Series DZ | | 3 763 |
| Exchange ratio Series FZ | | 2.81 |
| Units issued by Continuing Fund Series FZ | | 1 978 |
| Exchange ratio Series O | | 1.52 |
| Units issued by Continuing Fund Series O | | 1 653 |

The Continuing Fund identified above acquired all of the assets and assumed all of the liabilities of the Terminated Fund at their fair market value, in return for the issuance by the Continuing Fund of its units equal in value to the net assets transferred from the Terminated Fund. As a result, the unitholders of the Terminated Fund became unitholders of the Continuing Fund. After the merger, the Terminated Fund was wound up.

As at April 8, 2022, all of the investments of the Terminated Fund were disposed of at their fair market value to the Continuing Fund.

The financial statements of the Continuing Fund include the operating results of the Terminated Fund from the date of the merger. All comparative information in these financial statements is that of the Continuing Fund only.

Under the tax reorganization rules in the *Income Tax Act* (Canada), the merger took place on a tax-deferred or "rollover" basis, and both the Terminated Fund and the Continuing Fund are deemed to have a taxation year-end as at April 8, 2022. Those investments with unrealized losses were deemed to have been disposed of at their fair market value and investments with unrealized gains were deemed to be disposed of at their fair market value or at their elected amount. The Fund had no tax liability as at April 8, 2022. All capital and non-capital loss carry forwards expired as a result of the fund merger.

None of the costs related to the merger have been charged to the funds or to the unitholders.

## 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, 2023.

The Funds may issue an unlimited number of units in some or all of Series A, Series AZ, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H, Series D, Series DZ, Series F, Series FZ, Series FT5, Series FT8, Series I, Series N, Series O and ETF Series. Effective April 11, 2022, Advisor Series and Advisor T5 Series are no longer offered for sale.

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

Advisor Series units and Advisor T5 Series units were available to all investors through authorized dealers. Effective April 11, 2022, all Advisor Series and Advisor T5 Series units were re-designated as Series A and Series T5 units, as applicable.

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

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

Series N units are only available to related funds.

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

The units of the ETF Series are listed either on the Toronto Stock Exchange (the "TSX") or on the NEO Exchange (the "NEO Exchange") as the case may be. The TSX and the NEO Exchange are each referred to herein as the "Exchange." Investors may purchase or sell units on the applicable Exchange in the same way as other securities listed on the Exchange.

| RBC Funds | Series | Exchange Ticker Symbol |
|---|---|---|
| RBC Canadian Equity Income Fund | ETF Series | RCEI |
| RBC North American Value Fund | ETF Series | RNAV |
| RBC North American Growth Fund | ETF Series | RNAG |
| RBC International Equity Fund | ETF Series | RINT |
| RBC Emerging Markets Dividend Fund | ETF Series | REMD |
| RBC Global Energy Fund | ETF Series | RENG |
| RBC Global Precious Metals Fund | ETF Series | RGPM |
| RBC Global Technology Fund | ETF Series | RTEC |

## 2. Financial period

The information provided in these financial statements and notes thereto is as at June 30, 2023 and December 31, 2022, as applicable, and for the six-month periods ended June 30, 2023 and June 30, 2022, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

## 3. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 are as follows:

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

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

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

Collateral received represents amounts held by a counterparty or custodian on behalf of the Funds and accordingly not presented in the Statements of Financial Position. Collateral pledged represents amounts held by the Funds' custodian/counterparty on behalf of the counterparty and can be in the form of cash and securities. Cash pledged as collateral is included in the Statements of Financial Position, while securities pledged as collateral are identified on the respective Fund's Schedule of Investment Portfolio.

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

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

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

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

(i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,

(ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and

(iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

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

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

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

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

*Level 2* – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices, vendor fair value factors and prices of underlying funds that are not daily traded; 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, debentures and other debt securities are valued at the mid price quoted by major dealers or independent pricing vendors in such securities.

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

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

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

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

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

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

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

*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 (loss)" in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

*Forward Contracts* – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as "Change in unrealized gain (loss) on investments" and realized gain or loss on foreign exchange contracts is included in "Derivative income (loss)" 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 (loss)" in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as "Receivable on open swap contracts" or "Payable on open swap contracts" in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

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

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

*Underlying Funds* – Underlying funds that are not exchange-traded funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

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

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

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

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

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

**Functional Currency** The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. 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 Government Bond Fund, RBC $U.S. Short-Term Corporate Bond Fund, RBC $U.S. Global 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 $U.S. Global Investment Grade Corporate Bond Fund (Canada), BlueBay $U.S. Global High Yield Bond Fund (Canada), BlueBay Emerging Markets Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Emerging Markets High Yield Corporate Bond Fund (Canada), RBC $U.S. Core Bond Pool, RBC $U.S. Core Plus Bond Pool, RBC U.S. Monthly Income Fund and RBC $U.S. Global Balanced Portfolio (collectively, the "USD Funds") have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

**Foreign Exchange** The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the USD Funds) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in "Net gain (loss) on foreign cash balances" in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in "Derivative income (loss)" in the Statements of Comprehensive Income.

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

**Investment Transactions** Investment transactions are accounted for as of the trade date. 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 and short-term investments.

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

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

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

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

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

**In-Kind Transactions and Switches Between Different Series of the Same Fund** In accordance with IAS 7, the Funds exclude non-cash transactions from their operating and financing activities within the Statements of Cash Flow. The primary differences between amounts issued and redeemed within the Statements of Changes in NAV and the Statements of Cash Flow relate to in-kind transactions and switches between series of the same Fund. Similarly, the "Cost of investments purchased" and "Proceeds from sale and maturity of investments" within the Statements of Cash Flow appropriately exclude in-kind transactions.

## 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.

In February 2022, Russian forces invaded Ukraine, resulting in an armed conflict and economic sanctions on Russia. Price volatility, trading restrictions, including the potential for extended halting of Russian market trading, and general default risk related to Russian securities may have an adverse impact on the financial performance of a Fund. The manager is actively monitoring the situation.

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

***Liquidity risk***

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

***Credit risk***

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure

as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash, margin and short-term deposits are held with counterparties with a credit rating of BBB- or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

***Concentration risk***

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

***Interest rate risk***

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

Certain Funds trade in debt securities, some of which are variable rate and have an inter-bank linked interest rate. Such debt securities may potentially be transitioned to an alternative benchmark before the Funds dispose of their investments. The impact of this transition, if any, will be captured in the change in fair value of these investments and is not expected to be significant to each Fund.

***Currency risk***

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls. The currency risk as disclosed in the Fund Specific Information in the Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

***Other price risk***

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

## 6. Taxes

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

If a Fund is not a mutual fund trust under the Tax Act throughout a taxation year, the Fund (i) may become liable for alternative minimum tax under the Tax Act in such year, (ii) would not be eligible for capital gains refunds under the Tax Act in such year, (iii) may be subject to the "mark-to-market" rules described below and (iv) may be subject to a special tax under Part XII.2 of the Tax Act described below in such year.

If a Fund does not qualify as a mutual fund trust and more than 50% (calculated on a fair market value basis) of the units of the Fund are held by one or more unitholders that are considered to be "financial institutions" for the purposes of certain special mark-to-market rules in the Tax Act, then the Fund itself will be treated as a financial institution under those special rules. Under those rules, the Fund will be required to recognize at least annually on income account any gains and losses accruing on certain types of debt obligations and equity securities that it holds and also will be subject to special rules with respect to income inclusion on these securities. Any income arising from such treatment will be included in amounts to be distributed to unitholders. If more than 50% of the units of the Fund cease to be held by financial institutions, the tax year of the Fund will be deemed to end immediately before that time and any gains or losses accrued before that time will be deemed realized by the Fund and will be distributed to unitholders. A new taxation year for the Fund will then begin and for that and subsequent taxation years, for so long as not more than 50% of the units of the Fund are held by financial institutions, the Fund will not be subject to these special mark-to-market rules.

If at any time in a year a Fund that is not a mutual fund trust under the Tax Act throughout that year has a unitholder that is a "designated beneficiary", the Fund will be subject to a special tax at the rate of 40% under Part XII.2 of the Tax Act on its "designated income" within the meaning of the Tax Act. A "designated beneficiary" includes a non-resident, and "designated income" includes taxable capital gains from dispositions of "taxable Canadian property" and income from business carried on in Canada (which could include gains on certain derivatives). Where a Fund is subject to tax under Part XII.2 of the Tax Act, the Fund may make a designation which will result in unitholders that are not designated beneficiaries receiving a tax credit with respect to their share of the Part XII.2 tax paid by the Fund.

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.

The total amount of distributions for Series T5 and Series FT5 units for a year may exceed the Series T5 and Series FT5 units' share of income and capital gains earned by the fund, respectively, in that year. This excess amount will be treated as a return of capital to the unitholder. Return of capital represents a return to the unitholder of a portion of their own invested capital.

## 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 any costs and expenses of the Independent Review Committee ("IRC") of the Funds that are not related to annual fees, meeting fees and reimbursement for expenses to members of the IRC, 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). RBC GAM, not the Funds, is responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the IRC. Other fund costs are allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

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

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

***Sub-Advisors***

RBC Global Asset Management (U.S.) Inc. is the sub-advisor for:
RBC $U.S. Short-Term Government Bond Fund
RBC $U.S. Short-Term Corporate Bond Fund (for the underlying fund)
RBC Bond Fund (for a portion of the Fund)
RBC $U.S. Investment Grade Corporate Bond Fund
RBC Global Corporate Bond Fund (for a portion of the Fund)
BlueBay Global Investment Grade Corporate Bond Fund (Canada) (for a portion of the Fund)
BlueBay $U.S. Global Investment Grade Corporate Bond Fund (Canada) (for a portion of the Fund)
BlueBay Global High Yield Bond Fund (Canada) (for the underlying fund)
BlueBay $U.S. Global High Yield Bond Fund (Canada) (for a portion of the Fund)
RBC U.S. Monthly Income Fund (for a portion of the Fund)
RBC U.S. Small-Cap Core Equity Fund
RBC U.S. Small-Cap Value Equity Fund
BlueBay Global Alternative Bond Fund (Canada) (for a portion of the Fund)
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund

RBC Global Asset Management (UK) Limited is the sub-advisor for:
RBC Short-Term Global Bond Fund (for a portion of the Fund)
RBC Bond Fund (for a portion of the Fund)
RBC Global Bond Fund (for a portion of the Fund)
RBC $U.S. Global Bond Fund (for a portion of the Fund)
RBC Global Corporate Bond Fund (for a portion of the Fund)
RBC Global High Yield Bond Fund (for a portion of the Fund)
RBC Emerging Markets Foreign Exchange Fund (for a portion of the Fund)
RBC Emerging Markets Bond Fund (for a portion of the Fund)
BlueBay Global Monthly Income Bond Fund*
BlueBay Global Sovereign Bond Fund (Canada)*
BlueBay Global Investment Grade Corporate Bond Fund (Canada)* (for a portion of the Fund)
BlueBay $U.S. Global Investment Grade Corporate Bond Fund (Canada)* (for a portion of the Fund)
BlueBay European High Yield Bond Fund (Canada)*
BlueBay Global High Yield Bond Fund (Canada)* (for the underlying fund)
BlueBay $U.S. Global High Yield Bond Fund (Canada)* (for a portion of the Fund)
BlueBay Emerging Markets Bond Fund (Canada)*

BlueBay Emerging Markets Local Currency Bond Fund (Canada)*
BlueBay Emerging Markets Corporate Bond Fund*
BlueBay Emerging Markets High Yield Corporate Bond Fund (Canada)*
BlueBay Global Convertible Bond Fund (Canada)*
RBC U.S. Monthly Income Fund (for a portion of the Fund)
RBC Balanced Fund (for a portion of the Fund)
RBC Global Balanced Fund (for a portion of the Fund)
RBC Vision Balanced Fund (for a portion of the Fund)
RBC International Dividend Growth Fund
RBC International Equity Fund (for the European equity portion of the Fund)
RBC International Equity Currency Neutral Fund (for the European equity portion of the underlying fund)
RBC European Equity Fund
RBC European Mid-Cap Equity Fund
RBC Emerging Markets Multi-Strategy Equity Fund (for the underlying funds)
RBC Emerging Markets Dividend Fund
RBC Emerging Markets ex-China Dividend Fund
RBC Emerging Markets Equity Fund
RBC Emerging Markets Equity Focus Fund
RBC Vision Fossil Fuel Free 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 Vision Global Equity Fund
RBC Vision Fossil Fuel Free Global Equity Fund
RBC Global Equity Focus Fund
RBC Global Equity Focus Currency Neutral Fund (for the underlying fund)
RBC Global Equity Leaders Fund
RBC Global Equity Leaders Currency Neutral Fund (for the underlying fund)
BlueBay Global Alternative Bond Fund (Canada)* (for a portion of the Fund)
Phillips, Hager & North Overseas Equity Fund
Phillips, Hager & North Global Equity Fund

* Prior to April 1, 2023 BlueBay Asset Management LLP was a sub-advisor for these Funds.

RBC Global Asset Management (Asia) Limited is the sub-advisor for:
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 International Equity Currency Neutral Fund (for the Asian equity portion of the underlying fund)
RBC Asian Equity Fund (for the underlying funds)
RBC Asia Pacific ex-Japan Equity Fund
RBC China Equity Fund
RBC Japanese Equity Fund

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.

***Mortgage Administrator Agent***

Royal Bank may administer mortgages on behalf of the Funds. Royal Bank earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

***Other Related-Party Transactions***

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

*Related-Party Trading Activities*

(a) trades in securities of Royal Bank;

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

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

*Inter-Fund Trading*

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

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the IRC 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. Presentation changes in the financial statements

As a result of an accounting system change during the year ended December 31, 2022, the Funds have changed the presentation of certain items related to the cost of investments with accretion of discounts or premiums. In the current year, where applicable, the discount on short-term investments is now accreted into the cost of investments where previously such amounts were recorded as interest receivable. Additionally, the discount or premium related to convertible strip bonds is now accreted or amortized to the cost of investments. Comparatives have not been reclassified in the financial statements as the information required to achieve comparability is not available. As a result of this presentation change, amounts previously presented as "Change in unrealized gain (loss) on investments" are now presented as "Interest for distribution purposes" in the Statements of Comprehensive Income for convertible strip bonds, and there is a non-cash adjustment in the Statements of Cash Flow "Interest for distribution purposes", for the period ended December 31, 2022. Previously, such amounts were adjusted in the Statements of Cash Flow in "(Increase) decrease in accrued receivables" and "Proceeds from sale and maturity of investments", where applicable. There is no impact on Statements of Comprehensive Income as a result of the change in the presentation for the short-term investments.

## 10. Revision to comparatives

With respect to RBC Canadian Mid-Cap Equity Fund, comparative figures on the Statements of Changes in NAV and Comprehensive Income have been revised to reflect the redesignation of Series F-redesignated to Series I. Previously, Series F-redesignated amounts were presented separately, and have now been adjusted to reflect the redesignation to Series I on a combined basis.