



Dear Investor:

The members of your Independent Review Committee are pleased to present this year's annual report to the unitholders of the RBC Funds, RBC ETFs, RBC Private Pools and PH&N Funds (the "Funds") managed by RBC Global Asset Management Inc. (the "manager").

Independent review committees are mandated by securities legislation to review mutual fund conflict of interest matters identified and referred by the manager. In determining whether to provide their approval or recommendation, independent review committees must determine whether the manager's proposed action achieves a fair and reasonable result for the funds.

In 2016, we met with the manager on a quarterly basis and received the manager's reports of compliance with its conflict of interest policies and procedures. In September 2016, we conducted a review of the manager's policies and procedures to confirm they continue to be adequate and effective in respect of the Funds. As part of our annual requirements, we also assessed our effectiveness as a committee, the effectiveness and contribution of each of our members, and the compensation and independence of our members. Finally, it is with gratitude that we would like to note that in 2016, our former Chair, Lloyd McGinnis, retired after many years of dedicated service on our Independent Review Committee and its predecessor, the Board of Governors.

As your Independent Review Committee, we will continue to strive to maintain high standards and best practices in mutual fund governance.

Élaine Cousineau Phénix

Chair of the Independent Review Committee



December 31, 2016

Members of the Independent Review Committee (“IRC”)

Length of Service

| Name | Residence | First appointed ¹ |
|---|----------------------------|------------------------------|
| Lloyd R. McGinnis² | Winnipeg, Manitoba | July 1994 |
| Élaine Cousineau² Chair of the IRC | Montreal, Québec | December 1999 |
| Charles F. Macfarlane² Vice Chair of the IRC | Toronto, Ontario | September 2006 |
| Paul K. Bates | Millgrove, Ontario | December 2014 |
| Catherine J. Kloepfer³ | Winnipeg, Manitoba | January 2017 |
| Linda S. Petch | Victoria, British Columbia | May 2006 |
| Mary C. Ritchie | Edmonton, Alberta | March 2002 |
| Suromitra Sanatani³ | Edmonton, Alberta | January 2017 |

¹ All IRC members, except Mr. Paul Bates, Ms. Catherine Kloepfer and Ms. Suromitra Sanatani, have been members of the IRC (formerly known as the Board of Governors) for the RBC Funds, RBC ETFs and the RBC Private Pools since its inception on December 1, 2006. Mr. Paul Bates became a member of the IRC as of December 1, 2014. The former Board of Governors became the independent review committee for the PH&N Funds as of January 1, 2011. Ms. Linda Petch and Ms. Mary Ritchie were members of the former independent review committee of the PH&N Funds from May 1, 2008 to December 31, 2010.

² Effective December 1, 2016, Mr. Lloyd McGinnis retired from the IRC, Ms. Éline Cousineau became Chair and Mr. Charles Macfarlane became Vice Chair.

³ Effective January 1, 2017, Ms. Catherine Kloepfer and Ms. Suromitra Sanatani were appointed as members of the IRC.

The IRC also serves as the independent review committee of other funds managed by RBC Global Asset Management Inc.

Holdings of Securities

(a) Funds

As at December 31, 2016, the percentage of units of each series of the Funds (as set out in Schedule A) beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

(b) Manager

As at December 31, 2016, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the manager.

(c) Service providers

Royal Bank of Canada and its affiliates and associates are service providers to the Funds and the manager. As at December 31, 2016, the percentage of securities of each class of voting or equity securities of Royal Bank of Canada and other service providers beneficially owned, directly or indirectly, in aggregate, by all members of the IRC was less than 0.01 per cent.

Compensation and Indemnities

The aggregate compensation paid by the Funds to the IRC in its capacity as the independent review committee of the Funds for the year was \$349,454.18. This amount was allocated among the Funds.

No indemnities were paid to the IRC by the Funds during the period.



Compensation and Indemnities (continued)

At least annually, the IRC reviews its compensation giving consideration to the following:

1. the best interests of the Funds;
2. that each Fund must pay its reasonable allocation of the compensation of the IRC from the assets of the Fund;
3. that compensation paid to the IRC by each Fund should fairly and reasonably reflect the general and specific benefits accruing to the Fund;
4. the number, nature and complexity of the Funds for which the IRC acts;
5. the nature and extent of the workload of each member of the IRC;
6. surveys of independent review committee compensation; and
7. whether the compensation will allow the IRC to attract and retain qualified candidates.

Conflict of Interest Matters

The manager is required to refer to the IRC its proposed actions, and its related policies and procedures, for situations in which the manager or a related party has or could be perceived to have an interest that may conflict with its ability to act in the best interests of a Fund. For example, the manager may have to forgo what might otherwise be a benefit to itself or a related party, or incur a cost, in order to act in accordance with its responsibilities to the Funds.

The IRC is not aware of any instance in the period in which the manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC.

Approvals pursuant to Standing Instructions

The manager relied on approvals and standing instructions of the IRC in the period in relation to the following activities. In each case, the standing instructions required the manager to comply with its related policy and procedure and to report periodically to the IRC.

1. Allowing the Funds to purchase or hold securities of the related issuer, Royal Bank of Canada
2. Allowing the Funds to purchase securities of an issuer, for which a related party, such as RBC Dominion Securities Inc., acted as an underwriter, in an offering of the securities or at any time during the restricted period following the completion of the offering
3. Allowing the Funds to purchase or sell equity and debt securities from or to a related dealer when the related dealer is acting as principal
4. Allowing the purchase or sale of securities and mortgages between Funds, or between the Funds and other investment funds or accounts managed by the manager or an affiliate (referred to as inter-fund trades and cross-trades) and allowing the Fund to receive or deliver securities rather than cash on the purchase or redemption of Fund units or shares (referred to as *in specie* transactions) by another Fund or an investment fund or account managed by the manager or an affiliate

Positive Recommendations pursuant to Standing Instructions

The manager received positive recommendations and relied on standing instructions with respect to the conflict of interest matters addressed by the following policies. In each case, the standing instructions required the manager to comply with its related policy and procedure and to report periodically to the IRC.

1. Personal Trading Policy, which restricts most personal trading by certain individuals employed by the manager but allows those individuals to trade in certain securities for their own account subject to controls
2. Fund Expense Policy, including related-party expenses, which allows the manager to charge expenses to the Funds, to allocate expenses between the manager and the Funds and to allocate expenses among the Funds and other funds managed by the manager or an affiliate, including expenses charged by related parties for services provided to the manager and the Funds



Conflict of Interest Matters (continued)

3. Client Brokerage Commissions Policy, which allows the manager to obtain order execution for the Funds as well as certain additional goods and services (generally, research) for the benefit of its clients, including the Funds, using brokerage commissions paid by the Funds
4. Trading Policies, including broker selection and trade allocations, which allow the manager to trade on behalf of multiple clients, including the Funds, and to select brokers to execute the trades, including related-party brokers, and require the manager to allocate trades fairly among clients, including the Funds, particularly where demand for a security exceeds supply
5. Fund Valuation Policy, which directs how a Fund's securities will be valued in order to obtain a fair and accurate net asset value of the Fund
6. Net Asset Value Error Correction Policy, which directs the circumstances and manner in which the manager will correct purchases and redemptions of Fund units or shares made based on an incorrect net asset value, including making payments to make the Fund whole and adjusting unitholder or shareholder accounts
7. Proxy Voting Policy, which allows the manager to exercise a Fund's proxies although the manager, a client or an affiliate of the manager may have an interest in the outcome of the vote
8. Excessive Trading Policy, which sets out the steps the manager will take to monitor, detect and deter excessive trading by unitholders or shareholders in units or shares of the Funds
9. Large Securityholder Policy, which sets out the steps the manager will take to manage the impact of large transactions by unitholders or shareholders in units or shares of the Funds
10. Payments, Gifts and Entertainment Policy, which sets out the steps the manager and certain of its employees will take to monitor and limit attempts to influence those employees while allowing them to accept some gifts or entertainment offered in the spirit of business courtesy or relationship management
11. Uncapping of Funds Policy, which sets out the steps the manager will take to ensure that existing unitholders or shareholders are not disadvantaged when the manager resumes distribution of a capped Fund
12. Changing Sub-advisors or Service Providers Policy, which allows the manager to replace an independent third-party service provider to a Fund (other than a Fund's auditor) with a related-party service provider, subject to controls
13. Reputation Risk Reporting Policy, which sets out the steps the manager will take to manage reputation risk in relation to its investment activities
14. Securities Lending Policy, which sets out the requirements for the Manager to effect securities lending activities on behalf of the Funds (with RBC Investor Services Trust acting as lending agent)
15. Funds-of-Funds Policy, which sets out the framework for investment decisions for funds that invest in other underlying Funds

The manager received positive recommendations with respect to its exercise of the Royal Bank of Canada 2016 annual meeting proxies received by the Funds that held common shares of the Royal Bank of Canada.

The manager also received a positive recommendation for the re-designation of certain series of Funds to different series of the same Fund that resulted in higher administration fees. The impacted Funds were: RBC Bond Fund (Series I), RBC U.S. Monthly Income Fund (Series H), RBC Canadian Equity Income Fund (Series H), RBC North American Value Fund (Series H) and RBC U.S. Dividend Fund (Series H).

Finally, the manager received a positive recommendation to change to the management expense ratio calculation that could result in higher management fees for the RBC Managed Payout Solution (Series F), the RBC Managed Payout Solution – Enhanced (Series F) and the RBC Select Portfolios (Series F – Very Conservative, Conservative, Balanced, Growth and Aggressive Growth).

The positive recommendations above were provided on the basis that the actions achieved a fair and reasonable result for the Funds.



SCHEDULE A

RBC FUNDS

Money Market Funds

RBC Canadian T-Bill Fund
RBC Canadian Money Market Fund
RBC Premium Money Market Fund
RBC \$U.S. Money Market Fund
RBC Premium \$U.S. Money Market Fund

Fixed-Income Funds

RBC Canadian Short-Term Income Fund
RBC Monthly Income Bond Fund
RBC Bond Fund
RBC Advisor Canadian Bond Fund
RBC Canadian Government Bond Index Fund
RBC Global Bond Fund
RBC \$U.S. Investment Grade Corporate Bond Fund
RBC Global Corporate Bond Fund
RBC High Yield Bond Fund
RBC \$U.S. High Yield Bond Fund
RBC Global High Yield Bond Fund
RBC Strategic Income Bond Fund (formerly, RBC Monthly Income High Yield 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)

Managed Payout Solutions

RBC Managed Payout Solution
RBC Managed Payout Solution – Enhanced
RBC Managed Payout Solution – Enhanced Plus

Balanced Funds and Portfolio Solutions

RBC Monthly Income Fund
RBC U.S. Monthly Income Fund
RBC Balanced Fund
RBC Global Balanced Fund

Balanced Funds and Portfolio Solutions (cont.)

RBC Jantzi 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

Canadian Equity Funds

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 Jantzi Canadian Equity Fund
RBC Canadian Index Fund
RBC O’Shaughnessy Canadian Equity Fund
RBC O’Shaughnessy All-Canadian Equity Fund
RBC Canadian Equity Income Fund
RBC Canadian Small & Mid-Cap Resources Fund

North American Equity Funds

RBC North American Value Fund
RBC North American Growth Fund

U.S. Equity Funds

RBC U.S. Dividend Fund
RBC U.S. Dividend Currency Neutral Fund

U.S. Equity Funds (cont.)

RBC U.S. Equity Fund
RBC U.S. Equity Currency Neutral Fund
RBC QUBE U.S. Equity Fund
RBC QUBE Low Volatility U.S. Equity Fund
RBC QUBE Low Volatility U.S. Equity Currency Neutral Fund
RBC U.S. Equity Value Fund
RBC U.S. Index Fund
RBC U.S. Index Currency Neutral Fund
RBC O’Shaughnessy U.S. Value Fund
RBC U.S. Mid-Cap Growth Equity Fund (formerly, RBC U.S. Mid-Cap Equity Fund)
RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund (formerly, RBC U.S. Mid-Cap Equity Currency Neutral Fund)
RBC U.S. Mid-Cap Value Equity Fund
RBC U.S. Small-Cap Core Equity Fund
RBC U.S. Small-Cap Value Equity Fund
RBC O’Shaughnessy U.S. Growth Fund
RBC O’Shaughnessy U.S. Growth Fund II
RBC Life Science and Technology Fund

International Equity Funds

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

Global Equity Funds

RBC Global Dividend Growth Fund
RBC Global Dividend Growth Currency Neutral Fund
RBC Global Equity Fund
RBC Global Equity Focus Fund



SCHEDULE A (cont.)

Global Equity Funds (cont.)

RBC QUBE Global Equity Fund
RBC QUBE Low Volatility Global Equity Fund
RBC Jantzi 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 POOLS

Fixed-Income Funds

RBC Private Short-Term Income Pool
RBC Private Canadian Corporate Bond Pool

Balanced Funds

RBC Private Income Pool

Canadian Equity Funds

RBC Private Canadian Dividend Pool
RBC Private Canadian Growth
and Income Equity Pool
RBC Private Canadian Equity Pool
RBC Private Canadian Growth Equity Pool
RBC Private Canadian Mid-Cap Equity Pool

U.S. Equity Funds

RBC Private U.S. Large-Cap Value Equity Pool
RBC Private U.S. Large-Cap Value Equity
Currency Neutral Pool
RBC Private U.S. Growth Equity Pool
RBC Private U.S. Large-Cap Core Equity Pool
RBC Private U.S. Large-Cap Core Equity
Currency Neutral Pool
RBC Private U.S. Small-Cap Equity Pool

International and Global Equity Funds

RBC Private EAFE Equity Pool
RBC Private Overseas Equity Pool
RBC Private World Equity Pool

RBC ETFs

Fixed-Income ETFs

RBC 1-5 Year Laddered Corporate Bond ETF
RBC 1-5 Year Laddered Canadian Bond ETF
RBC Target 2017 Corporate Bond Index ETF
RBC Target 2018 Corporate Bond Index ETF
RBC Target 2019 Corporate Bond Index ETF
RBC Target 2020 Corporate Bond Index ETF
RBC Target 2021 Corporate Bond Index ETF
RBC Target 2022 Corporate Bond Index ETF
RBC Target 2023 Corporate Bond Index ETF

Canadian Equity ETFs

RBC Canadian Preferred Share ETF
RBC Quant Canadian Dividend Leaders ETF
RBC Quant Canadian Equity Leaders ETF

U.S. Equity ETFs

RBC Quant U.S. Dividend Leaders ETF
RBC Quant U.S. Dividend Leaders
(CAD Hedged) ETF
RBC Quant U.S. Equity Leaders ETF
RBC Quant U.S. Equity Leaders
(CAD Hedged) ETF

International Equity ETFs

RBC Quant European Dividend Leaders ETF
RBC Quant European Dividend Leaders
(CAD Hedged) ETF
RBC Quant EAFE Dividend Leaders ETF
RBC Quant EAFE Dividend Leaders
(CAD Hedged) ETF
RBC Quant Emerging Markets
Dividend Leaders ETF
RBC Quant EAFE Equity Leaders ETF
RBC Quant EAFE Equity Leaders
(CAD Hedged) ETF
RBC Quant Emerging Markets
Equity Leaders ETF

Global Equity ETFs

RBC Strategic Global Dividend Leaders ETF
RBC Strategic Global Equity Leaders ETF
RBC Quant Global Infrastructure Leaders ETF



SCHEDULE A (cont.)

PHILLIPS, HAGER & NORTH INVESTMENT FUNDS

Money Market Funds

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

Fixed-Income Funds

Phillips, Hager & North Short Term Bond & Mortgage Fund
Phillips, Hager & North Bond Fund
Phillips, Hager & North Community Values Bond Fund
Phillips, Hager & North Total Return Bond Fund
Phillips, Hager & North Inflation-Linked Bond Fund
Phillips, Hager & North High Yield Bond Fund
Phillips, Hager & North Long Inflation-linked Bond Fund

Balanced Funds

Phillips, Hager & North Monthly Income Fund
Phillips, Hager & North Balanced Fund
Phillips, Hager & North Community Values Balanced Fund

Canadian Equity Funds

Phillips, Hager & North Dividend Income Fund
Phillips, Hager & North Canadian Equity Fund
Phillips, Hager & North Community Values Canadian Equity Fund
Phillips, Hager & North Canadian Equity Value Fund
Phillips, Hager & North Canadian Equity Underlying Fund
Phillips, Hager & North Canadian Equity Underlying Fund II
Phillips, Hager & North Canadian Growth Fund
Phillips, Hager & North Canadian Income Fund
Phillips, Hager & North Vintage Fund

U.S. Equity Funds

Phillips, Hager & North U.S. Dividend Income Fund
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund
Phillips, Hager & North U.S. Equity Fund
Phillips, Hager & North Currency-Hedged U.S. Equity Fund
Phillips, Hager & North U.S. Growth Fund

International Equity Funds

Phillips, Hager & North Overseas Equity Fund
Phillips, Hager & North Currency-Hedged Overseas Equity Fund

Global Equity Funds

Phillips, Hager & North Global Equity Fund
Phillips, Hager & North Community Values Global Equity Fund

Target Date Funds

Phillips, Hager & North LifeTime 2015 Fund
Phillips, Hager & North LifeTime 2020 Fund
Phillips, Hager & North LifeTime 2025 Fund
Phillips, Hager & North LifeTime 2030 Fund
Phillips, Hager & North LifeTime 2035 Fund
Phillips, Hager & North LifeTime 2040 Fund
Phillips, Hager & North LifeTime 2045 Fund
Phillips, Hager & North LifeTime 2050 Fund

BonaVista Investment Funds

BonaVista Global Balanced Fund
BonaVista Canadian Equity Value Fund

PHILLIPS, HAGER & NORTH PENSION TRUSTS

Phillips, Hager & North Balanced Pension Trust
Phillips, Hager & North Conservative Equity Income Fund
Phillips, Hager & North Canadian Equity Pension Trust
Phillips, Hager & North Small Float Fund
Phillips, Hager & North Canadian Equity Plus Pension Trust
Phillips, Hager & North Overseas Equity Pension Trust