

PHILLIPS, HAGER & NORTH FUNDS

2014 Annual Financial Statements

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

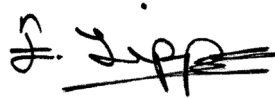
We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates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

Although the Board of Directors of RBC GAM is solely responsible for approving the financial statements and overseeing management's financial reporting responsibilities, in 2014 the Financial Advisory Committee of the Board of Governors provided advice to RBC GAM concerning financial reporting, the audit process and internal controls. Please see *The Role of the Board of Governors* at the end of this report.

Deloitte LLP, Independent Chartered Professional Accountants, Chartered Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



John S. Montalbano, CFA
Chief Executive Officer
RBC Global Asset Management Inc.



Frank Lipa, CPA, CA
Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.

March 5, 2015

To the Unitholders of:

Phillips, Hager & North Canadian Money Market Fund	Phillips, Hager & North Community Values Canadian Equity Fund	Phillips, Hager & North Currency-Hedged Overseas Equity Fund
Phillips, Hager & North U.S. Money Market Fund	Phillips, Hager & North Canadian Equity Value Fund	Phillips, Hager & North Global Equity Fund
Phillips, Hager & North Short Term Bond & Mortgage Fund	Phillips, Hager & North Canadian Equity Underlying Fund	Phillips, Hager & North Community Values Global Equity Fund
Phillips, Hager & North Bond Fund	Phillips, Hager & North Canadian Equity Underlying Fund II	Phillips, Hager & North LifeTime 2015 Fund
Phillips, Hager & North Community Values Bond Fund	Phillips, Hager & North Canadian Growth Fund	Phillips, Hager & North LifeTime 2020 Fund
Phillips, Hager & North Total Return Bond Fund	Phillips, Hager & North Canadian Income Fund	Phillips, Hager & North LifeTime 2025 Fund
Phillips, Hager & North Inflation-Linked Bond Fund	Phillips, Hager & North Vintage Fund	Phillips, Hager & North LifeTime 2030 Fund
Phillips, Hager & North High Yield Bond Fund	Phillips, Hager & North U.S. Dividend Income Fund	Phillips, Hager & North LifeTime 2035 Fund
Phillips, Hager & North Short Inflation-linked Bond Fund	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	Phillips, Hager & North LifeTime 2040 Fund
Phillips, Hager & North Long Inflation-linked Bond Fund	Phillips, Hager & North U.S. Equity Fund	Phillips, Hager & North LifeTime 2045 Fund
Phillips, Hager & North Monthly Income Fund	Phillips, Hager & North Currency-Hedged U.S. Equity Fund	Phillips, Hager & North LifeTime 2050 Fund
Phillips, Hager & North Balanced Fund	Phillips, Hager & North U.S. Growth Fund	BonaVista Global Balanced Fund
Phillips, Hager & North Community Values Balanced Fund	Phillips, Hager & North Overseas Equity Fund	BonaVista Canadian Equity Value Fund
Phillips, Hager & North Dividend Income Fund		(collectively referred to as the "Funds")
Phillips, Hager & North Canadian Equity Fund		

We have audited the accompanying financial statements of each of the Funds, which comprise the schedule of investment portfolio as at December 31, 2014, the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 (as applicable) and the statements of comprehensive income, statements of cash flow and statements of changes in net assets attributable to holders of redeemable units for the years or periods (since establishment of the Funds) then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards ("GAAS"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2014, December 31, 2013 and January 1, 2013 (as applicable), and the results of their operations, their cash flows and changes in their net assets for the years or periods (since establishment of the Funds) then ended in accordance with IFRS.



Chartered Professional Accountants, Chartered Accountants, Licensed Public Accountants

March 5, 2015
 Toronto, Ontario

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN MONEY MARKET FUND

December 31, 2014

Par Value (000s)	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
46 500	Bank of Montreal	\$ 46 781	
114 375	Bank of Nova Scotia	114 010	
16 500	Canadian Imperial Bank of Commerce	16 654	
61 650	HSBC Bank Canada	61 587	
58 525	National Bank of Canada	58 466	
		297 498	23.5
COMMERCIAL PAPER			
18 650	AltaLink LP	18 630	
49 275	Banner Trust	49 072	
46 400	Bay Street Funding Trust - Class A	46 193	
26 000	Brookfield Asset Management Inc., Class A	25 937	
7 500	Canadian Master Trust - Series A	7 454	
61 500	Central 1 Credit Union	61 121	
36 500	Clarity Trust	36 272	
62 075	Darwin Receivables Trust - Senior Notes	61 800	
33 560	Enbridge Gas Distribution Inc.	33 522	
3 500	Enbridge Inc.	3 489	
17 000	FortisBC Energy Inc.	16 960	
49 000	Fusion Trust	48 752	
5 875	Honda Canada Finance Inc.	5 858	
37 000	Husky Energy Inc.	36 915	
28 050	Inter Pipeline Ltd.	28 002	
61 000	King Street Funding Trust	60 731	
56 000	Merit Trust - Senior Notes	55 758	
23 000	Nissan Canada Financial Services Inc.	22 966	
36 475	Nova Scotia Power Inc.	36 430	
4 275	OMERS Realty Corp.	4 271	
46 500	Prime Trust - Senior Notes	46 351	
25 250	Reliant Trust	25 173	
30 000	Ridge Trust	29 811	
60 550	SAFE Trust - Series 1996-1	60 162	
57 500	SOUND Trust	57 130	
35 000	TMX Group Ltd.	34 946	
2 000	Toronto Hydro Corp.	2 000	
41 495	Zeus Receivables Trust - Senior Notes	41 356	
		957 062	75.7
TOTAL INVESTMENTS*		1 254 560	99.2
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		10 168	0.8
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 1 264 728	100.0

* Investments, which are grouped by issuer, earn interest at rates ranging from 1.17% to 1.44% and mature between January 2, 2015 and October 15, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 1 254 560	\$ 1 414 055	\$ 1 254 006
Cash	30	28	17
Subscriptions receivable	9 860	18 172	7 422
Dividends receivable, interest accrued and other assets	2 479	2 907	2 336
TOTAL ASSETS	1 266 929	1 435 162	1 263 781
LIABILITIES			
Redemptions payable	2 011	4 516	5 779
Distributions payable	16	19	14
Accounts payable and accrued expenses	174	164	179
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2 201	4 699	5 972
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 264 728	\$ 1 430 463	\$ 1 257 809
Investments at cost	\$ 1 254 560	\$ 1 414 055	\$ 1 254 006
NAV			
SERIES C	\$ 4 313	\$ 3 606	\$ 6 820
ADVISOR SERIES	\$ 3 327	\$ 4 741	\$ 1 412
SERIES D	\$ 271 683	\$ 267 915	\$ 293 820
SERIES F	\$ 5 237	\$ 6 268	\$ 7 204
SERIES O	\$ 980 168	\$ 1 147 933	\$ 948 553
NAV PER UNIT			
SERIES C	\$ 10.00	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00	\$ 10.00

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 16 368	\$ 16 414
TOTAL INCOME (LOSS)	16 368	16 414
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 267	1 348
Administration fees	451	456
Board of Governors costs	3	3
GST/HST	144	152
TOTAL EXPENSES	1 865	1 959
INCREASE (DECREASE) IN NAV	\$ 14 503	\$ 14 455
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 28	\$ 41
ADVISOR SERIES	\$ 28	\$ 19
SERIES D	\$ 1 667	\$ 1 814
SERIES F	\$ 42	\$ 49
SERIES O	\$ 12 738	\$ 12 532
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.07	\$ 0.08
ADVISOR SERIES	\$ 0.07	\$ 0.08
SERIES D	\$ 0.06	\$ 0.07
SERIES F	\$ 0.07	\$ 0.08
SERIES O	\$ 0.12	\$ 0.13

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 14 503	\$ 14 455
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	–	–
Change in unrealized loss (gain) on investments	–	–
(Increase) decrease in accrued receivables	428	(571)
Increase (decrease) in accrued payables	10	(15)
Cost of investments purchased	(6 524 730)	(7 306 300)
Proceeds on sales of investments	6 684 225	7 146 251
NET CASH PROVIDED BY OPERATING ACTIVITIES	174 436	(146 180)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 254 816	1 773 652
Cash paid on redemption of redeemable units	(1 429 077)	(1 627 278)
Distributions paid to holders of redeemable units	(173)	(183)
NET CASH USED IN FINANCING ACTIVITIES	\$ (174 434)	\$ 146 191
Net increase (decrease) in cash for the year	2	11
Cash (bank overdraft), beginning of period	28	17
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 30	\$ 28
Interest received	\$ 16 796	\$ 15 841
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 606	\$ 6 820	\$ 4 741	\$ 1 412	\$ 267 915	\$ 293 820	\$ 6 268	\$ 7 204
INCREASE (DECREASE) IN NAV	28	41	28	19	1 667	1 814	42	49
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	3 258	5 503	851	4 599	252 785	298 260	1 733	3 522
Reinvestments of distributions to holders of redeemable units	27	39	27	20	1 637	1 782	42	50
Redemption of redeemable units	(2 578)	(8 757)	(2 293)	(1 289)	(250 654)	(325 947)	(2 806)	(4 507)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	707	(3 215)	(1 415)	3 330	3 768	(25 905)	(1 031)	(935)
Distributions from net income	(28)	(40)	(27)	(20)	(1 667)	(1 814)	(42)	(50)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(28)	(40)	(27)	(20)	(1 667)	(1 814)	(42)	(50)
NET INCREASE (DECREASE) IN NAV	707	(3 214)	(1 414)	3 329	3 768	(25 905)	(1 031)	(936)
NAV AT END OF PERIOD	\$ 4 313	\$ 3 606	\$ 3 327	\$ 4 741	\$ 271 683	\$ 267 915	\$ 5 237	\$ 6 268

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 147 933	\$ 948 553	\$ 1 430 463	\$ 1 257 809
INCREASE (DECREASE) IN NAV	12 738	12 532	14 503	14 455
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	987 877	1 472 518	1 246 504	1 784 402
Reinvestments of distributions to holders of redeemable units	12 599	12 377	14 332	14 268
Redemption of redeemable units	(1 168 241)	(1 285 515)	(1 426 572)	(1 626 015)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(167 765)	199 380	(165 736)	172 655
Distributions from net income	(12 738)	(12 532)	(14 502)	(14 456)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(12 738)	(12 532)	(14 502)	(14 456)
NET INCREASE (DECREASE) IN NAV	(167 765)	199 380	(165 735)	172 654
NAV AT END OF PERIOD	\$ 980 168	\$ 1 147 933	\$ 1 264 728	\$ 1 430 463

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with a steady level of current income, capital preservation and liquidity by investing in a well-diversified portfolio of short-term Canadian money market securities with strong credit ratings.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
R-1 (H)	73.1	72.4	78.7
R-1 (M)	14.4	3.7	7.6
R-1 (L)	12.5	23.9	13.7
Total	100.0	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Corporate Notes	99.4	96.1	97.5
Government Notes	–	3.9	2.5
Cash/Other	0.6	–	–

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
0 – 1 month	46.7	34.6	35.2
1 – 3 months	34.9	48.5	41.6
4 – 6 months	12.9	15.5	23.2
7 – 12 months	5.5	1.4	–
Total	100.0	100.0	100.0

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 254 560	–	1 254 560
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 254 560	–	1 254 560
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 414 055	–	1 414 055
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 414 055	–	1 414 055
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 254 006	–	1 254 006
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 254 006	–	1 254 006
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

December 31, 2014

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

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

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

Operating expenses (see note 7 in the generic notes)

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

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	42	44
Advisor Series	103	102
Series D	486 159	981 631
Series F	52	51
Value of all units	4 864	9 818

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	361	682
Issued number of units	325	551
Reinvested number of units	3	4
Redeemed number of units	(258)	(876)
Ending number of units	431	361
Advisor Series		
Opening units	474	141
Issued number of units	85	460
Reinvested number of units	3	2
Redeemed number of units	(229)	(129)
Ending number of units	333	474
Series D		
Opening units	26 792	29 382
Issued number of units	25 277	29 827
Reinvested number of units	164	178
Redeemed number of units	(25 065)	(32 595)
Ending number of units	27 168	26 792
Series F		
Opening units	627	720
Issued number of units	174	353
Reinvested number of units	4	5
Redeemed number of units	(281)	(451)
Ending number of units	524	627
Series O		
Opening units	114 793	94 855
Issued number of units	98 788	147 251
Reinvested number of units	1 260	1 238
Redeemed number of units	(116 824)	(128 551)
Ending number of units	98 017	114 793

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
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	–	–
Total	–	–

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

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	1 430 463	1 257 809
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	1 430 463	1 257 809
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		14 455
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		14 455

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

SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)

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

		December 31, 2014	
Par Value (000s)	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
4 545	Bank of Montreal	\$ 4 548	
465	Bank of Nova Scotia	467	
2 410	HSBC Bank Canada	2 410	
5 195	Toronto-Dominion Bank	5 196	
		<u>12 621</u>	<u>22.8</u>
COMMERCIAL PAPER			
2 590	Banner Trust	2 588	
1 450	Brookfield Asset Management Inc., Class A	1 449	
2 150	Caisse Centrale Desjardins	2 149	
2 371	Canadian Master Trust - Series A	2 371	
2 020	CDP Financial Inc.	2 019	
2 350	Clarity Trust	2 346	
2 000	CPPIB Capital Inc.	1 999	
1 700	Darwin Receivables Trust - Senior Notes	1 699	
1 400	Enbridge Inc.	1 399	
2 500	Fusion Trust	2 498	
2 385	Merit Trust - Senior Notes	2 383	
500	National Bank of Canada	501	
1 400	Nissan Canada Financial Services Inc.	1 400	
2 425	Prime Trust - Senior Notes	2 423	
1 750	PSP Capital Inc.	1 749	
2 400	Reliant Trust	2 398	
2 230	Ridge Trust	2 228	
2 440	SAFE Trust - Series 1996-1	2 436	
2 085	SOUND Trust	2 081	
1 380	TMX Group Ltd.	1 380	
2 200	Zeus Receivables Trust - Senior Notes	2 199	
		<u>41 695</u>	<u>75.2</u>
PROVINCIAL OBLIGATIONS			
1 000	Province of Ontario	1 002	
		<u>1 002</u>	<u>1.8</u>
TOTAL INVESTMENTS*		<u>55 318</u>	<u>99.8</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>126</u>	<u>0.2</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$ 55 444</u>	<u>100.0</u>

* Investments, which are grouped by issuer, earn interest at rates ranging from 0.09% to 0.39% and mature between January 5, 2015 and September 11, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 55 318	\$ 73 895	\$ 67 857
Cash	3	6	5
Subscriptions receivable	154	41	225
Dividends receivable, interest accrued and other assets	14	34	20
TOTAL ASSETS	55 489	73 976	68 107
LIABILITIES			
Redemptions payable	42	44	64
Accounts payable and accrued expenses	3	5	5
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	45	49	69
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 55 444	\$ 73 927	\$ 68 038
Investments at cost	\$ 55 318	\$ 73 895	\$ 67 857
NAV			
SERIES C	\$ 1 930	\$ 2 368	\$ 4 031
ADVISOR SERIES	\$ 93	\$ 124	\$ 236
SERIES D	\$ 16 354	\$ 25 106	\$ 28 875
SERIES F	\$ 3 035	\$ 4 837	\$ 4 214
SERIES O	\$ 34 032	\$ 41 492	\$ 30 682
NAV PER UNIT			
SERIES C	\$ 10.00	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00	\$ 10.00

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 142	\$ 206
TOTAL INCOME (LOSS)	142	206
EXPENSES (see notes – Fund Specific Information)		
Management fees	12	18
Administration fees	33	37
Board of Governors costs	3	3
GST/HST	3	5
TOTAL EXPENSES	51	63
INCREASE (DECREASE) IN NAV	\$ 91	\$ 143
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 4	\$ 4
ADVISOR SERIES	\$ –	\$ –
SERIES D	\$ 20	\$ 44
SERIES F	\$ 4	\$ 10
SERIES O	\$ 63	\$ 85
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.01	\$ 0.02
ADVISOR SERIES	\$ 0.01	\$ 0.02
SERIES D	\$ 0.01	\$ 0.02
SERIES F	\$ 0.01	\$ 0.02
SERIES O	\$ 0.01	\$ 0.02

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 91	\$ 143
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	–	–
Change in unrealized loss (gain) on investments	–	–
(Increase) decrease in accrued receivables	20	(14)
Increase (decrease) in accrued payables	(2)	–
Cost of investments purchased	(473 679)	(708 540)
Proceeds on sales of investments	492 256	702 502
NET CASH PROVIDED BY OPERATING ACTIVITIES	18 686	(5 909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	76 216	110 046
Cash paid on redemption of redeemable units	(94 905)	(104 136)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (18 689)	\$ 5 910
Net increase (decrease) in cash for the year	(3)	1
Cash (bank overdraft), beginning of period	6	5
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 3	\$ 6
Interest received	\$ 162	\$ 192
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 368	\$ 4 031	\$ 124	\$ 236	\$ 25 106	\$ 28 875	\$ 4 837	\$ 4 214
INCREASE (DECREASE) IN NAV	4	4	—	—	20	44	4	10
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	4 879	2 626	106	337	12 591	9 407	3 349	8 404
Reinvestments of distributions to holders of redeemable units	3	5	—	—	21	44	5	8
Redemption of redeemable units	(5 321)	(4 293)	(137)	(449)	(21 363)	(13 220)	(5 155)	(7 791)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(439)	(1 662)	(31)	(112)	(8 751)	(3 769)	(1 801)	621
Distributions from net income	(3)	(5)	—	—	(21)	(44)	(5)	(8)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3)	(5)	—	—	(21)	(44)	(5)	(8)
NET INCREASE (DECREASE) IN NAV	(438)	(1 663)	(31)	(112)	(8 752)	(3 769)	(1 802)	623
NAV AT END OF PERIOD	\$ 1 930	\$ 2 368	\$ 93	\$ 124	\$ 16 354	\$ 25 106	\$ 3 035	\$ 4 837

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 41 492	\$ 30 682	\$ 73 927	\$ 68 038
INCREASE (DECREASE) IN NAV	63	85	91	143
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	55 404	89 088	76 329	109 862
Reinvestments of distributions to holders of redeemable units	65	83	94	140
Redemption of redeemable units	(62 927)	(78 363)	(94 903)	(104 116)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(7 458)	10 808	(18 480)	5 886
Distributions from net income	(65)	(83)	(94)	(140)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(65)	(83)	(94)	(140)
NET INCREASE (DECREASE) IN NAV	(7 460)	10 810	(18 483)	5 889
NAV AT END OF PERIOD	\$ 34 032	\$ 41 492	\$ 55 444	\$ 73 927

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with a steady level of current income while preserving capital by investing primarily in Canadian short-term debt instruments denominated in U.S. dollars.

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

Credit risk (%)

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

Rating	December 31 2014	December 31 2013	January 1 2013
R-1 (H)	86.9	78.5	59.5
R-1 (M)	3.0	13.7	25.8
R-1 (L)	10.1	7.8	14.7
Total	100.0	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Corporate Notes	98.0	95.7	74.2
Government Bonds	1.8	–	–
Government Notes	–	4.3	25.8
Cash/Other	0.2	–	–

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
0 – 1 month	59.4	37.3	44.3
1 – 3 months	32.3	41.0	51.2
4 – 6 months	8.3	21.6	4.5
7 – 12 months	–	0.1	–
Total	100.0	100.0	100.0

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

Fair value hierarchy (USD000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	55 318	–	55 318
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	55 318	–	55 318
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	73 895	–	73 895
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	73 895	–	73 895
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	67 857	–	67 857
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	67 857	–	67 857
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

Investments by related parties (USD000s except unit amounts)

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

	December 31 2014	December 31 2013
Units held		
Series C	50	50
Advisor Series	101	100
Series D	–	50
Series F	50	50
Series O	–	50
Value of all units	2	3

Taxes (CAD000s) (see note 5 in the generic notes)

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	225
Non-capital losses	–

Unitholders' equity (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	237	403
Issued number of units	488	262
Reinvested number of units	–	1
Redeemed number of units	(532)	(429)
Ending number of units	193	237
Advisor Series		
Opening units	12	24
Issued number of units	11	33
Reinvested number of units	–	–
Redeemed number of units	(14)	(45)
Ending number of units	9	12
Series D		
Opening units	2 511	2 887
Issued number of units	1 258	942
Reinvested number of units	2	4
Redeemed number of units	(2 136)	(1 322)
Ending number of units	1 635	2 511
Series F		
Opening units	484	421
Issued number of units	335	841
Reinvested number of units	–	1
Redeemed number of units	(516)	(779)
Ending number of units	303	484
Series O		
Opening units	4 149	3 068
Issued number of units	5 540	8 909
Reinvested number of units	7	8
Redeemed number of units	(6 293)	(7 836)
Ending number of units	3 403	4 149

December 31, 2014

Transition to IFRS (USD000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	73 927	68 038
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	73 927	68 038
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		143
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		143

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIA BONDS						
6 355	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 6 467	\$ 6 546	
TOTAL AUSTRALIA BONDS				6 467	6 546	0.1
CANADIAN BONDS						
CORPORATE						
1 000	407 International Inc.	3.880	16-Jun-15	1 000	1 011	
13 248	407 International Inc.	3.870	24-Nov-17	13 890	13 976	
42	Alliance Pipeline LP	7.230	30-Jun-15	44	43	
1 878	AltaGas Ltd.	4.600	15-Jan-18	2 028	2 008	
714	AltaLink Investments LP	5.207	16-Dec-16	754	758	
6 128	AltaLink Investments LP	3.674	05-Jun-19	6 130	6 482	
4 030	AltaLink Investments LP	3.265	05-Jun-20	4 030	4 175	
2 920	AltaLink LP	5.243	29-May-18	3 373	3 242	
4 145	AltaLink LP	3.621	17-Sep-20	4 151	4 442	
4 100	American Express Canada Credit Corp.	3.600	03-Jun-16	4 242	4 211	
86 892	Bank of Montreal	2.960	02-Aug-16	89 034	88 679	
17 456	Bank of Montreal	5.450	17-Jul-17	19 127	19 042	
59	Bank of Montreal	6.020	02-May-18	68	67	
2 510	Bank of Montreal	4.870	22-Apr-20	2 639	2 534	
3 990	Bank of Montreal	5.100	21-Apr-21	4 253	4 155	
17 852	Bank of Montreal	3.120	19-Sep-24	17 866	18 155	
43 666	Bank of Nova Scotia	2.100	08-Nov-16	43 813	43 990	
75 077	Bank of Nova Scotia	2.740	01-Dec-16	76 458	76 533	
10 000	Bank of Nova Scotia	2.598	27-Feb-17	10 195	10 188	
37 074	Bank of Nova Scotia	4.100	08-Jun-17	39 406	39 137	
2 301	Bank of Nova Scotia	2.242	22-Mar-18	2 288	2 323	
18 747	Bank of Nova Scotia	2.400	28-Oct-19	18 743	18 893	
13 240	Bank of Nova Scotia	3.270	11-Jan-21	13 794	13 875	
1 155	Bank of Nova Scotia	2.873	04-Jun-21	1 155	1 183	
2 866	bcIMC Realty Corp.	2.650	29-Jun-17	2 878	2 934	
2 670	Bell Canada	1.803	22-Apr-16	2 670	2 674	
4 141	Bell Canada	5.000	15-Feb-17	4 477	4 408	
654	Bell Canada	4.400	16-Mar-18	701	700	
1 305	Bell Canada	3.500	10-Sep-18	1 306	1 365	
1 955	Bell Canada	3.540	12-Jun-20	1 955	2 046	
15 831	Bell Canada	3.250	17-Jun-20	15 954	16 341	
14 096	Brookfield Asset Management Inc.	5.290	25-Apr-17	15 062	15 072	
4 661	Brookfield Asset Management Inc.	3.950	09-Apr-19	4 780	4 903	
17 780	Brookfield Asset Management Inc.	5.300	01-Mar-21	19 736	19 867	
5 000	Cameco Corp.	5.670	02-Sep-19	5 626	5 592	
29 065	Canadian Credit Card Trust	2.306	24-Apr-15	29 536	29 159	
5 688	Canadian Credit Card Trust	3.444	24-Jul-15	5 933	5 753	
11 650	Canadian Credit Card Trust	1.596	24-Sep-15	11 650	11 666	
33 537	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	33 541	33 610	
63 329	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	64 166	64 453	
16 758	Canadian Imperial Bank of Commerce	3.950	14-Jul-17	17 696	17 653	
9 835	Canadian Imperial Bank of Commerce	2.350	18-Oct-17	9 946	9 968	
47 461	Canadian Imperial Bank of Commerce	4.110	30-Apr-20	48 804	47 829	
25 830	Canadian Imperial Bank of Commerce	3.000	28-Oct-24	25 835	26 143	
6 200	Capital Desjardins Inc.	5.541	01-Jun-21	6 659	6 513	
16 820	Cards II Trust	3.096	15-Sep-15	17 395	17 012	
83 358	Cards II Trust	1.984	15-Jan-16	83 744	83 751	
2 043	Cards II Trust	3.333	15-May-16	2 121	2 092	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management®

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
250	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	\$ 252	\$ 251	
4 560	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	4 560	4 596	
5 366	Caterpillar Financial Services Ltd.	2.630	01-Jun-17	5 369	5 479	
6 295	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	6 294	6 360	
8 345	Choice Properties LP	3.000	20-Apr-16	8 507	8 440	
20 705	Choice Properties LP	3.600	20-Apr-20	21 156	21 500	
11 734	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	11 790	12 081	
4 530	Cominar Real Estate Investment Trust	3.620	21-Jun-19	4 529	4 602	
2 720	Cominar Real Estate Investment Trust	4.941	27-Jul-20	2 875	2 902	
3 975	Cominar Real Estate Investment Trust	4.250	08-Dec-21	3 975	4 026	
5 375	Crombie Real Estate Investment Trust	3.986	31-Oct-18	5 377	5 596	
302	Crombie Real Estate Investment Trust	3.962	01-Jun-21	306	312	
5 000	CU Inc.	6.145	22-Nov-17	5 954	5 619	
16 600	Eagle Credit Card Trust	2.849	17-Oct-18	16 822	17 096	
5 500	Emera Inc.	2.960	13-Dec-16	5 628	5 614	
3 142	Emera Inc.	4.830	02-Dec-19	3 451	3 466	
11 510	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	11 515	11 567	
20	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	22	22	
8 945	Enbridge Inc.	5.170	19-May-16	9 719	9 349	
7 680	Enbridge Inc.	5.000	09-Aug-16	8 435	8 057	
3 570	Enbridge Inc.	1.714	13-Mar-17	3 570	3 565	
9 115	Enbridge Inc.	4.770	02-Sep-19	9 982	10 013	
5 310	Enbridge Inc.	4.260	01-Feb-21	5 696	5 739	
10 660	Enbridge Inc.	3.160	11-Mar-21	10 648	10 825	
6 285	Enbridge Income Fund Holdings Inc.	2.920	14-Dec-17	6 343	6 408	
7 285	Enbridge Pipelines Inc.	6.620	19-Nov-18	8 651	8 518	
62	Enbridge Pipelines Inc.	4.450	06-Apr-20	69	69	
9 301	Enmax Corp.	6.150	19-Jun-18	10 611	10 415	
150	EPCOR Utilities Inc.	6.750	22-Mar-16	177	159	
3 435	EPCOR Utilities Inc.	5.800	31-Jan-18	3 950	3 835	
2 057	First Capital Realty Inc.	4.500	01-Mar-21	2 185	2 225	
17 569	Genesis Trust II	2.295	15-Feb-17	17 575	17 797	
24 189	Genesis Trust II	2.433	15-May-19	24 200	24 549	
338	Golden Credit Card Trust	3.824	15-May-15	355	341	
5 965	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	5 980	6 110	
16 369	Hollis Receivables Term Trust II	2.235	26-Sep-16	16 371	16 531	
11 363	Hollis Receivables Term Trust II	2.434	26-Jun-19	11 363	11 499	
17 345	HSBC Bank Canada	2.572	23-Nov-15	17 445	17 502	
35 184	HSBC Bank Canada	2.901	13-Jan-17	35 709	35 989	
16 935	HSBC Bank Canada	2.908	29-Sep-21	16 935	17 286	
75	Hydro One Inc.	5.180	18-Oct-17	83	82	
23 476	Hydro One Inc.	2.780	09-Oct-18	23 512	24 290	
1 010	Hydro One Inc.	4.400	01-Jun-20	1 117	1 129	
11 145	Inter Pipeline Ltd.	1.758	30-May-17	11 145	11 129	
1 500	Inter Pipeline Ltd.	3.839	30-Jul-18	1 500	1 579	
11 005	Inter Pipeline Ltd.	3.448	20-Jul-20	11 005	11 406	
3 946	John Deere Canada Funding Inc.	1.950	14-Jan-16	3 941	3 963	
7 499	John Deere Canada Funding Inc.	2.300	05-Jul-16	7 604	7 574	
2 582	John Deere Canada Funding Inc.	1.950	12-Apr-17	2 575	2 597	
7 175	John Deere Canada Funding Inc.	2.300	17-Jan-18	7 163	7 263	
4 038	John Deere Canada Funding Inc.	2.650	16-Jul-18	4 040	4 133	
4 325	John Deere Canada Funding Inc.	2.350	24-Jun-19	4 320	4 368	
865	John Deere Credit Inc.	5.450	16-Sep-15	945	889	
6 155	Loblaw Companies Ltd.	3.748	12-Mar-19	6 158	6 501	
10 000	Loblaw Companies Ltd.	5.220	18-Jun-20	11 220	11 280	
4 435	Lower Mattagami Energy LP	2.228	23-Oct-17	4 435	4 493	
5 120	Manitoba Telecom Services Inc.	4.590	01-Oct-18	5 528	5 513	
50	National Bank of Canada	4.030	26-May-15	50	51	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management®

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
8 614	National Bank of Canada	2.050	11-Jan-16	\$ 8 637	\$ 8 659	
4 515	National Bank of Canada	3.580	26-Apr-16	4 702	4 630	
19 065	National Bank of Canada	2.702	15-Dec-16	19 440	19 424	
10 000	National Bank of Canada	2.019	13-Apr-17	10 052	10 058	
7 320	National Bank of Canada	2.404	28-Oct-19	7 320	7 374	
18 606	National Bank of Canada	4.700	02-Nov-20	19 853	19 049	
2 670	Nova Gas Transmission Ltd.	12.200	28-Feb-16	3 569	2 980	
2 060	Nova Scotia Power Inc.	9.750	02-Aug-19	2 873	2 704	
13 827	OMERS Realty Corp.	2.498	05-Jun-18	13 832	14 106	
6 540	OMERS Realty Corp.	2.473	12-Nov-19	6 540	6 607	
3 450	OMERS Realty Corp.	3.203	24-Jul-20	3 444	3 609	
9 050	OMERS Realty Corp.	2.971	05-Apr-21	9 092	9 344	
3 985	OMERS Realty CTT Holdings Inc.	4.750	05-May-16	4 330	4 158	
36	Plenary Health Care Partnerships Humber LP	2.633	18-May-15	36	36	
12 425	Rogers Communications Inc.	5.800	26-May-16	13 755	13 098	
6 582	Rogers Communications Inc.	3.000	06-Jun-17	6 658	6 749	
16 740	Rogers Communications Inc.	2.800	13-Mar-19	16 736	17 058	
1 780	Rogers Communications Inc.	4.700	29-Sep-20	1 928	1 967	
39 617	Royal Bank of Canada*	2.680	08-Dec-16	40 395	40 353	
20 160	Royal Bank of Canada*	3.660	25-Jan-17	20 956	20 941	
50 832	Royal Bank of Canada*	2.580	13-Apr-17	51 778	51 774	
37 601	Royal Bank of Canada*	2.260	12-Mar-18	37 654	37 974	
18 300	Royal Bank of Canada*	2.820	12-Jul-18	18 757	18 829	
16 278	Royal Bank of Canada*	2.770	11-Dec-18	16 429	16 710	
18 970	Royal Bank of Canada*	2.350	09-Dec-19	18 966	19 062	
2 110	Royal Bank of Canada*	2.860	03-Apr-21	2 151	2 161	
17 890	Royal Bank of Canada*	3.450	29-Sep-26	18 060	18 311	
5 275	Shaw Communications Inc.	1.955	01-Feb-16	5 275	5 285	
5 687	Shaw Communications Inc.	5.700	02-Mar-17	6 196	6 135	
14 340	Shaw Communications Inc.	5.650	01-Oct-19	16 175	16 278	
11 996	Shaw Communications Inc.	5.500	07-Dec-20	13 609	13 713	
12 631	Sobeys Inc.	3.520	08-Aug-18	12 767	13 083	
4 791	TELUS Corp.	3.650	25-May-16	4 969	4 915	
3 955	TELUS Corp.	4.950	15-Mar-17	4 293	4 219	
22 063	TELUS Corp.	5.050	23-Jul-20	24 559	24 823	
1 885	TELUS Corp.	3.600	26-Jan-21	1 916	1 978	
25 885	Teranet Holdings LP	3.531	16-Dec-15	26 124	26 274	
8 248	Terasen Gas Inc.	11.800	30-Sep-15	9 911	8 853	
11 288	Terasen Gas Inc.	10.300	30-Sep-16	13 921	12 905	
25 547	Thomson Reuters Corp.	3.369	23-May-19	25 657	26 485	
7 865	Thomson Reuters Corp.	3.309	12-Nov-21	7 865	7 987	
11 223	Tim Hortons Inc.	4.200	01-Jun-17	11 709	11 368	
5 940	Tim Hortons Inc.	2.850	01-Apr-19	5 939	6 000	
3 105	TMX Group Ltd.	1.975	03-Oct-16	3 127	3 115	
14 260	TMX Group Ltd.	3.253	03-Oct-18	14 264	14 829	
35	Toronto Hydro Corp.	5.150	14-Nov-17	39	38	
674	Toronto Hydro Corp.	4.490	12-Nov-19	744	747	
32 849	Toronto-Dominion Bank	1.824	03-Apr-17	32 887	32 934	
48 111	Toronto-Dominion Bank	2.433	15-Aug-17	48 510	48 883	
6 000	Toronto-Dominion Bank	5.480	02-Apr-20	6 438	6 055	
350	Toronto-Dominion Bank	3.367	02-Nov-20	359	355	
8 290	Toronto-Dominion Bank	2.621	22-Dec-21	8 290	8 318	
2 839	TransCanada Pipelines Ltd.	11.900	20-Aug-15	3 122	3 015	
4 812	TransCanada Pipelines Ltd.	9.450	20-Mar-18	6 380	5 849	
3 400	TransCanada Pipelines Ltd.	11.800	20-Nov-20	5 165	5 052	
11 037	Union Gas Ltd.	11.500	28-Aug-15	13 400	11 722	
6 584	Union Gas Ltd.	9.700	06-Nov-17	8 354	7 957	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management®

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 810	Union Gas Ltd.	5.350	27-Apr-18	\$ 2 019	\$ 2 008	
6 895	Union Gas Ltd.	2.760	02-Jun-21	6 893	7 032	
10 071	Westcoast Energy Inc.	8.500	23-Nov-15	12 269	10 652	
5 696	Westcoast Energy Inc.	5.600	16-Jan-19	6 362	6 403	
2 735	Westcoast Energy Inc.	9.900	10-Jan-20	3 643	3 644	
8 175	Westcoast Energy Inc.	4.570	02-Jul-20	8 577	8 991	
				2 021 014	2 020 781	43.2
FEDERAL						
302 266	Canada Housing Trust No. 1	2.750	15-Jun-16	312 178	309 392	
195 944	Canada Housing Trust No. 1	2.050	15-Jun-17	199 631	199 768	
65 197	Canada Housing Trust No. 1	2.350	15-Dec-18	66 664	67 345	
10 081	Canada Housing Trust No. 1	4.100	15-Dec-18	11 304	11 088	
75 754	Canada Housing Trust No. 1	1.950	15-Jun-19	76 054	76 987	
163 061	Canada Housing Trust No. 1	2.000	15-Dec-19	165 042	165 662	
15 875	Government of Canada	3.000	01-Dec-15	16 181	16 160	
34 202	Government of Canada	1.500	01-Feb-17	34 536	34 546	
23 959	Government of Canada	1.500	01-Sep-17	24 238	24 229	
9 507	Government of Canada	1.250	01-Mar-18	9 533	9 541	
1 637	Government of Canada	1.250	01-Sep-18	1 643	1 641	
3 343	Government of Canada	1.750	01-Mar-19	3 402	3 412	
5 381	Government of Canada	3.750	01-Jun-19	5 961	5 958	
152 751	Government of Canada	1.750	01-Sep-19	154 971	155 596	
				1 081 338	1 081 325	23.1
PROVINCIAL/MUNICIPAL						
2 861	Ontrea Inc.	4.619	09-Apr-18	2 863	3 083	
101 549	Province of Ontario	4.400	02-Jun-19	112 434	113 219	
79 384	Province of Ontario	2.100	08-Sep-19	80 164	80 622	
				195 461	196 924	4.2
TOTAL CANADIAN BONDS						
				3 297 813	3 299 030	70.5
UNITED KINGDOM BONDS						
3 358	BAA Funding Ltd. CAD	4.000	03-Jul-19	3 340	3 602	
5 830	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	5 786	5 956	
29 849	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	30 106	30 546	
122	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	124	126	
TOTAL UNITED KINGDOM BONDS						
				39 356	40 230	0.9
UNITED STATES BONDS						
1 175	Anheuser-Busch InBev Finance Inc. CAD	2.375	25-Jan-18	1 169	1 186	
23 060	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	23 905	23 515	
15 038	AT&T Inc. CAD	3.825	25-Nov-20	15 148	15 748	
16 747	Bank of America Corp. CAD	1.818	01-Jun-16	17 054	16 706	
TOTAL UNITED STATES BONDS						
				57 276	57 155	1.2
TOTAL BONDS						
				3 400 912	3 402 961	72.7
MORTGAGE-BACKED SECURITIES						
10	Canadian Mortgage Pools	2.250	01-Jan-15	10	10	
28	Canadian Mortgage Pools	2.500	01-Jun-15	29	28	
8 826	Canadian Mortgage Pools	1.950	01-Sep-15	8 717	8 850	
6 803	Canadian Mortgage Pools	2.170	01-Sep-15	6 879	6 831	
8 083	Canadian Mortgage Pools	2.750	01-Nov-15	8 041	8 167	
28	Canadian Mortgage Pools	1.350	01-Mar-16	28	28	
10 805	Canadian Mortgage Pools	0.650	01-Jun-16	10 605	10 725	
74	Canadian Mortgage Pools	2.300	01-Jun-16	76	75	
14 376	Canadian Mortgage Pools	1.200	01-Aug-16	14 255	14 348	
6 679	Canadian Mortgage Pools	1.500	01-Sep-16	6 486	6 690	
12 932	Canadian Mortgage Pools	1.500	01-Dec-16	12 923	12 960	
10 326	Canadian Mortgage Pools	1.700	01-Aug-17	10 150	10 381	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management®

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
MORTGAGE-BACKED SECURITIES (cont.)						
12 589	Canadian Mortgage Pools	1.500	01-Sep-17	\$ 12 478	\$ 12 599	
11 735	Canadian Mortgage Pools	1.250	01-Dec-17	11 532	11 663	
7 963	Canadian Mortgage Pools	1.500	01-Dec-17	7 781	7 972	
133	Canadian Mortgage Pools	1.700	01-Dec-17	134	134	
18 204	Canadian Mortgage Pools	1.650	01-Apr-18	17 857	18 259	
14 670	Canadian Mortgage Pools	1.600	01-Mar-19	14 519	14 664	
23 856	Canadian Mortgage Pools	1.750	01-Aug-19	23 739	23 897	
18 660	Canadian Mortgage Pools	2.000	01-Sep-19	18 590	18 822	
15 310	Canadian Mortgage Pools	1.800	01-Nov-19	15 271	15 335	
12 368	Canadian Mortgage Pools	1.900	01-Nov-19	12 337	12 421	
10 165	Canadian Mortgage Pools	1.800	01-Dec-19	10 160	10 171	
TOTAL MORTGAGE-BACKED SECURITIES				222 597	225 030	4.8
MORTGAGES (SCHEDULE A)				680 969	688 198	14.7
SHORT-TERM INVESTMENTS†						
4 800	Banner Trust			4 799	4 799	
7 775	Bell Canada International Inc.			7 765	7 765	
53 450	Brookfield Asset Management Inc., Class A			53 262	53 262	
2 500	Canadian Master Trust - Series A			2 493	2 493	
39 575	Central 1 Credit Union			39 342	39 342	
8 500	Darwin Receivables Trust - Senior Notes			8 457	8 457	
7 000	Enbridge Gas Distribution Inc.			6 990	6 990	
5 650	Enbridge Inc.			5 632	5 632	
23 800	Husky Energy Inc.			23 732	23 732	
22 300	Inter Pipeline Ltd.			22 233	22 233	
74 500	King Street Funding Trust			74 130	74 130	
16 500	Merit Trust - Senior Notes			16 450	16 450	
8 125	Prime Trust - Senior Notes			8 093	8 093	
15 000	Reliant Trust			14 944	14 944	
3 875	Ridge Trust			3 859	3 859	
32 925	Zeus Receivables Trust - Senior Notes			32 829	32 829	
TOTAL SHORT-TERM INVESTMENTS				325 010	325 010	6.9
TOTAL INVESTMENTS				\$ 4 629 488	4 641 199	99.1
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					39 410	0.9
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 4 680 609	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.16% to 1.43% and mature between January 5, 2015 and July 3, 2015.

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

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

December 31, 2014

**SCHEDULE A
 MORTGAGES**

Number of Loans	Interest Rate (%)	Principal 2015	2016	2017	2018	2019	2020	2021	Cost	Fair Value	% of Net Assets
5	2.50-2.99	\$ 4 490	\$ 32 061	\$ 14 500	\$ —	\$ —	\$ —	\$ —	\$ 51 093	\$ 51 066	
17	3.00-3.24	55 884	16 576	42 684	400	—	—	—	115 812	115 889	
33	3.25-3.49	25 904	19 088	31 052	30 456	21 494	13 653	—	142 078	142 735	
45	3.50-3.74	2 428	7 243	32 798	23 932	69 582	—	13 162	149 634	151 365	
38	3.75-3.99	4 526	1 691	—	18 136	18 841	2 655	10 030	56 038	57 075	
13	4.00-4.24	11 962	8 963	—	2 539	4 372	4 504	—	32 440	33 002	
20	4.25-4.49	48 961	6 861	3 706	2 800	—	—	—	62 566	63 220	
15	4.50-4.74	12 036	4 307	7 796	—	—	18 848	—	43 230	44 760	
8	4.75-4.99	3 345	1 012	5 181	5 448	—	—	—	15 052	15 520	
4	5.00-5.24	3 651	—	—	—	—	—	—	3 668	3 696	
1	5.25-5.49	—	—	—	1 380	—	—	—	1 387	1 480	
4	5.50-5.74	—	7 426	—	—	—	—	—	7 466	7 850	
—	5.75-5.99	—	—	—	—	—	—	—	—	—	
1	6.00-6.24	—	—	502	—	—	—	—	505	540	
204		\$ 173 187	\$ 105 228	\$ 138 219	\$ 85 091	\$ 114 289	\$ 39 660	\$ 23 192	\$ 680 969	\$ 688 198	14.7

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

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

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 4 641 199	\$ 3 629 902	\$ 3 478 646
Cash	356	411	377
Due from investment dealers	9 163	–	–
Subscriptions receivable	29 788	14 703	4 112
Dividends receivable, interest accrued and other assets	22 491	21 500	18 208
TOTAL ASSETS	4 702 997	3 666 516	3 501 343
LIABILITIES			
Due to investment dealers	20 464	2 322	3 129
Redemptions payable	1 247	3 868	1 380
Accounts payable and accrued expenses	677	605	719
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	22 388	6 795	5 228
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 4 680 609	\$ 3 659 721	\$ 3 496 115
Investments at cost	\$ 4 629 488	\$ 3 639 974	\$ 3 469 116
NAV			
SERIES C	\$ 172 126	\$ 228 351	\$ 318 105
ADVISOR SERIES	\$ 26 702	\$ 29 762	\$ 36 685
SERIES H	\$ 69 357	\$ 33 439	\$ 42 687
SERIES D	\$ 227 660	\$ 223 561	\$ 270 195
SERIES F	\$ 115 516	\$ 111 207	\$ 115 079
SERIES I	\$ 35 330	\$ 20 777	\$ 19 544
SERIES O	\$ 4 033 918	\$ 3 012 624	\$ 2 693 820
NAV PER UNIT			
SERIES C	\$ 10.50	\$ 10.42	\$ 10.51
ADVISOR SERIES	\$ 10.50	\$ 10.42	\$ 10.51
SERIES H	\$ 10.49	\$ 10.42	\$ 10.52
SERIES D	\$ 10.45	\$ 10.38	\$ 10.47
SERIES F	\$ 10.43	\$ 10.36	\$ 10.46
SERIES I	\$ 10.42	\$ 10.35	\$ 10.45
SERIES O	\$ 10.17	\$ 10.08	\$ 10.17

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND
Statements of Comprehensive Income
(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 117 702	\$ 108 787
Net realized gain (loss) on investments	6 621	(12 534)
Change in unrealized gain (loss) on investments	21 783	(19 602)
TOTAL INCOME (LOSS)	146 106	76 651
EXPENSES (see notes – Fund Specific Information)		
Management fees	4 506	5 269
Administration fees	2 059	1 814
Board of Governors costs	3	3
GST/HST	667	703
TOTAL EXPENSES	7 235	7 789
INCREASE (DECREASE) IN NAV	\$ 138 871	\$ 68 862
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 4 950	\$ 2 671
ADVISOR SERIES	\$ 691	\$ 306
SERIES H	\$ 1 039	\$ 411
SERIES D	\$ 6 789	\$ 3 691
SERIES F	\$ 3 550	\$ 1 695
SERIES I	\$ 763	\$ 300
SERIES O	\$ 121 089	\$ 59 788
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.26	\$ 0.10
ADVISOR SERIES	\$ 0.26	\$ 0.09
SERIES H	\$ 0.26	\$ 0.10
SERIES D	\$ 0.32	\$ 0.15
SERIES F	\$ 0.32	\$ 0.15
SERIES I	\$ 0.32	\$ 0.16
SERIES O	\$ 0.35	\$ 0.20

Statements of Cash Flow (in \$000s)

 For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 138 871	\$ 68 862
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(6 621)	12 534
Change in unrealized loss (gain) on investments	(21 783)	19 602
(Increase) decrease in accrued receivables	(10 154)	(3 292)
Increase (decrease) in accrued payables	18 214	(921)
Cost of investments purchased	(13 006 676)	(14 395 822)
Proceeds on sales of investments	12 023 783	14 212 430
NET CASH PROVIDED BY OPERATING ACTIVITIES	(864 366)	(86 607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 813 461	1 077 876
Cash paid on redemption of redeemable units	(943 806)	(987 140)
Distributions paid to holders of redeemable units	(5 344)	(4 095)
NET CASH USED IN FINANCING ACTIVITIES	\$ 864 311	\$ 86 641
Net increase (decrease) in cash for the year	(55)	34
Cash (bank overdraft), beginning of period	411	377
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 356	\$ 411
Interest received	\$ 116 711	\$ 105 495
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 228 351	\$ 318 105	\$ 29 762	\$ 36 685	\$ 33 439	\$ 42 687	\$ 223 561	\$ 270 195
INCREASE (DECREASE) IN NAV	4 950	2 671	691	306	1 039	411	6 789	3 691
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	68 333	63 568	9 789	9 729	55 040	16 416	66 060	72 399
Reinvestments of distributions to holders of redeemable units	2 908	4 479	377	486	542	753	4 767	5 259
Redemption of redeemable units	(129 267)	(155 569)	(13 456)	(16 843)	(19 837)	(26 052)	(68 433)	(122 267)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(58 026)	(87 522)	(3 290)	(6 628)	35 745	(8 883)	2 394	(44 609)
Distributions from net income	(3 149)	(4 903)	(461)	(601)	(866)	(776)	(5 084)	(5 716)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3 149)	(4 903)	(461)	(601)	(866)	(776)	(5 084)	(5 716)
NET INCREASE (DECREASE) IN NAV	(56 225)	(89 754)	(3 060)	(6 923)	35 918	(9 248)	4 099	(46 634)
NAV AT END OF PERIOD	\$ 172 126	\$ 228 351	\$ 26 702	\$ 29 762	\$ 69 357	\$ 33 439	\$ 227 660	\$ 223 561

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 111 207	\$ 115 079	\$ 20 777	\$ 19 544	\$ 3 012 624	\$ 2 693 820	\$ 3 659 721	\$ 3 496 115
INCREASE (DECREASE) IN NAV	3 550	1 695	763	300	121 089	59 788	138 871	68 862
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	68 911	48 822	24 499	9 701	1 535 914	867 832	1 828 546	1 088 467
Reinvestments of distributions to holders of redeemable units	1 981	1 867	386	287	93 342	83 938	104 303	97 069
Redemption of redeemable units	(67 425)	(53 583)	(10 453)	(8 544)	(632 314)	(606 770)	(941 185)	(989 628)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	3 467	(2 894)	14 432	1 444	996 942	345 000	991 664	195 908
Distributions from net income	(2 708)	(2 673)	(642)	(511)	(96 737)	(85 984)	(109 647)	(101 164)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 708)	(2 673)	(642)	(511)	(96 737)	(85 984)	(109 647)	(101 164)
NET INCREASE (DECREASE) IN NAV	4 309	(3 872)	14 553	1 233	1 021 294	318 804	1 020 888	163 606
NAV AT END OF PERIOD	\$ 115 516	\$ 111 207	\$ 35 330	\$ 20 777	\$ 4 033 918	\$ 3 012 624	\$ 4 680 609	\$ 3 659 721

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with relatively high yields and stability of capital by investing primarily in Canadian government and corporate bonds and multi-residential mortgages on property located in Canada in accordance with National Policy Statement No. 29.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	34.3	23.7	14.2
AA	28.1	29.4	34.7
A	8.9	12.6	17.1
BBB	12.4	16.4	15.0
B	0.4	–	–
Unrated*	15.9	17.9	19.0
Total	100.0	100.0	100.0

* Mortgages represent 100% (December 31, 2013 – 100%, January 1, 2013 – 100%) of the unrated above. 3.6% (December 31, 2013 – 6.3%, January 1, 2013 – 9.9%) of the mortgages are Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. To manage the credit risk on the remaining 96.4% (December 31, 2013 – 93.7%, January 1, 2013 – 90.1%), which are conventional mortgages, the Fund only purchases mortgages that are no more than 75% of the value of the property and the net income generated by the property must be at least 1.2x the income required to pay the monthly debt service requirements. These statistics are monitored on an ongoing basis both at the individual security level and on an aggregate level.

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Corporate Bonds	45.3	54.1	43.5
Federal Bonds	23.1	11.1	3.6
Mortgages	14.7	15.8	13.6
Mortgage-Backed Bonds	4.8	4.6	4.7
Provincial Bonds	4.3	2.9	6.3
Cash/Other	7.8	11.5	28.3

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	11.6	9.2	18.1
1 – 5 years	79.3	80.6	69.9
5 – 10 years	8.7	10.2	12.0
> 10 years	0.4	–	–
Total	100.0	100.0	100.0

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

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.5% (December 31, 2013 – 2.5%, January 1, 2013 – 2.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	4 316 189	–	4 316 189
Short-term investments	–	325 010	–	325 010
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	4 641 199	–	4 641 199
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	3 239 574	–	3 239 574
Short-term investments	–	390 328	–	390 328
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	3 629 902	–	3 629 902
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 507 019	–	2 507 019
Short-term investments	–	971 627	–	971 627
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	3 478 646	–	3 478 646
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

Series C	1.00%
Advisor Series	1.00%
Series H	0.90%
Series D	0.50%
Series F	0.50%
Series I	0.40%

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series H	0.05%
Series D	0.05%
Series F	0.05%
Series I	0.05%
Series O	0.05%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	51	51
Advisor Series	103	101
Series H	99	98
Series D	53	51
Series F	53	52
Series I	101	99
Value of all units	5	5

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	8 685
Non-capital losses	—

Unitholders' equity (000s)

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

	2014	2013
For the periods ended December 31 (see note 2 in the generic notes)		
Series C		
Opening units	21 918	30 262
Issued number of units	6 503	6 049
Reinvested number of units	278	428
Redeemed number of units	(12 305)	(14 821)
Ending number of units	16 394	21 918
Advisor Series		
Opening units	2 857	3 489
Issued number of units	931	926
Reinvested number of units	36	47
Redeemed number of units	(1 280)	(1 605)
Ending number of units	2 544	2 857
Series H		
Opening units	3 210	4 060
Issued number of units	5 241	1 560
Reinvested number of units	52	72
Redeemed number of units	(1 892)	(2 482)
Ending number of units	6 611	3 210
Series D		
Opening units	21 543	25 799
Issued number of units	6 313	6 928
Reinvested number of units	457	505
Redeemed number of units	(6 538)	(11 689)
Ending number of units	21 775	21 543
Series F		
Opening units	10 736	11 007
Issued number of units	6 596	4 676
Reinvested number of units	190	180
Redeemed number of units	(6 451)	(5 127)
Ending number of units	11 071	10 736

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2014

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series I		
Opening units	2 007	1 869
Issued number of units	2 347	929
Reinvested number of units	37	28
Redeemed number of units	(1 001)	(819)
Ending number of units	3 390	2 007
Series O		
Opening units	298 732	264 796
Issued number of units	150 918	85 337
Reinvested number of units	9 200	8 299
Redeemed number of units	(62 093)	(59 700)
Ending number of units	396 757	298 732

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014	December 31 2013
RBC Monthly Income Bond Fund	7.4	10.0
Phillips, Hager & North PRisM Balanced Fund	12.4	12.1
RBC Select Very Conservative Portfolio	17.9	20.0
RBC Select Very Conservative Class	–	0.3
RBC Select Conservative Portfolio	7.0	–
RBC Select Choices Conservative Portfolio	0.6	0.7
RBC Select Choices Balanced Portfolio	0.7	0.7
RBC Target 2015 Education Fund	0.4	0.5
Phillips, Hager & North Enhanced Long Government Bond Fund	–	0.4
Total	46.4	44.7

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	3 656 496	3 493 446
Revaluation of investments at FVTPL	3 225	2 669
Net assets attributable to holders of redeemable units	3 659 721	3 496 115
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		68 306
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		556
Increase (decrease) in net assets attributable to holders of redeemable units		68 862

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIA BONDS						
10 640	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 10 641	\$ 10 961	
TOTAL AUSTRALIA BONDS				10 641	10 961	0.1
CANADIAN BONDS						
CORPORATE						
16 960	407 International Inc.	3.870	24-Nov-17	17 863	17 892	
1 960	407 International Inc.	3.980	11-Sep-52	1 742	2 002	
4 255	Access Justice Durham Ltd.	5.015	31-Aug-39	4 683	4 841	
2 518	Access Roads Edmonton Ltd.	5.669	30-Sep-37	2 827	3 054	
2 576	Access Roads Edmonton Ltd.	5.812	30-Sep-37	2 994	3 124	
1 109	Aéroports de Montréal	6.950	16-Apr-32	1 469	1 446	
5 076	AGT Ltd.	8.800	22-Sep-25	6 624	7 341	
3 155	Alliance Pipeline LP	4.928	16-Dec-19	3 406	3 429	
17 648	Alliance Pipeline LP	7.181	30-Jun-23	21 246	20 933	
3 085	Alliance Pipeline LP	5.546	31-Dec-23	3 433	3 397	
17 216	Alliance Pipeline LP	6.765	31-Dec-25	20 648	20 345	
13 786	Alliance Pipeline LP	7.217	31-Dec-25	17 100	16 632	
930	AltaGas Ltd.	5.160	13-Jan-44	993	1 002	
6 340	AltaGas Ltd.	4.500	15-Aug-44	6 336	6 141	
19 001	AltaLink Investments LP	5.207	16-Dec-16	19 828	20 167	
9 870	AltaLink Investments LP	3.674	05-Jun-19	9 911	10 440	
21 517	AltaLink Investments LP	3.265	05-Jun-20	21 490	22 289	
18 640	AltaLink LP	3.668	06-Nov-23	18 624	19 972	
920	AltaLink LP	5.381	26-Mar-40	1 154	1 156	
21 932	AltaLink LP	3.990	30-Jun-42	21 408	22 772	
836	AltaLink LP	4.922	17-Sep-43	961	999	
49 877	Bank of Montreal	3.490	10-Jun-16	50 945	51 193	
2 430	Bank of Montreal	2.960	02-Aug-16	2 497	2 480	
9 166	Bank of Montreal	5.450	17-Jul-17	10 026	9 999	
1 895	Bank of Montreal	4.550	01-Aug-17	2 049	2 026	
30 425	Bank of Montreal	3.120	19-Sep-24	30 447	30 942	
500	Bank of Nova Scotia	3.340	25-Mar-15	521	502	
14 346	Bank of Nova Scotia	2.250	08-May-15	14 488	14 390	
87 585	Bank of Nova Scotia	2.100	08-Nov-16	87 807	88 235	
71 712	Bank of Nova Scotia	2.740	01-Dec-16	72 566	73 103	
45 305	Bank of Nova Scotia	4.100	08-Jun-17	48 189	47 827	
1 225	Bank of Nova Scotia	2.370	11-Jan-18	1 204	1 242	
460	Bank of Nova Scotia	2.462	14-Mar-19	460	467	
18 511	Bank of Nova Scotia	2.400	28-Oct-19	18 507	18 655	
26 850	Bank of Nova Scotia	3.270	11-Jan-21	28 051	28 138	
1 017	BC Tel	9.650	08-Apr-22	1 380	1 442	
2 310	bcIMC Realty Corp.	2.650	29-Jun-17	2 364	2 365	
7 900	Bell Canada	1.803	22-Apr-16	7 900	7 911	
235	Bell Canada	4.370	13-Sep-17	246	249	
3 985	Bell Canada	4.400	16-Mar-18	4 228	4 265	
1 725	Bell Canada	4.880	26-Apr-18	1 853	1 874	
2 685	Bell Canada	3.250	17-Jun-20	2 733	2 771	
4 870	Bell Canada	4.700	11-Sep-23	4 884	5 372	
3 258	Bell Canada	6.550	01-May-29	3 270	4 070	
1 520	Bell Canada	4.750	29-Sep-44	1 545	1 564	
4 116	Bow Centre Street LP	3.693	14-Jun-22	4 125	4 196	
20 395	Bow Centre Street LP	3.797	13-Jun-23	20 147	21 095	
5 839	Brookfield Asset Management Inc.	4.540	31-Mar-23	5 907	6 235	

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

PHILLIPS, HAGER & NORTH BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
25 319	Brookfield Asset Management Inc.	5.040	08-Mar-24	\$ 25 743	\$ 27 691	
25 416	Brookfield Asset Management Inc.	4.820	28-Jan-26	25 660	27 001	
9 844	Brookfield Asset Management Inc.	5.950	14-Jun-35	9 596	10 895	
4 360	Brookfield Renewable Power Inc.	6.132	30-Nov-16	4 480	4 687	
9 188	BRP Finance ULC	4.790	07-Feb-22	9 196	9 992	
12 185	Cameco Corp.	5.670	02-Sep-19	13 674	13 627	
6 921	Cameco Corp.	3.750	14-Nov-22	6 943	7 032	
25 588	Cameco Corp.	4.190	24-Jun-24	25 595	26 382	
22 900	Canadian Credit Card Trust	1.596	24-Sep-15	22 897	22 932	
30 135	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	30 895	30 221	
57 473	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	57 257	57 597	
42 715	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	43 428	43 473	
47 760	Canadian Imperial Bank of Commerce	3.000	28-Oct-24	47 787	48 339	
6 095	Canadian Utilities Ltd.	9.400	01-May-23	9 040	8 983	
14 935	Cards II Trust	1.984	15-Jan-16	15 004	15 005	
15 058	Cards II Trust	3.333	15-May-16	15 616	15 415	
1 155	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	1 160	1 159	
11 840	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	11 839	11 934	
6 135	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	6 131	6 198	
2 600	Centra Gas Ontario Inc.	8.650	19-Oct-18	3 506	3 188	
8 290	Centre Street Trust	3.690	14-Jun-21	8 281	8 436	
9 150	Choice Properties LP	3.000	20-Apr-16	9 328	9 254	
20 037	Choice Properties LP	3.600	20-Apr-20	20 498	20 806	
18 575	Choice Properties LP	3.600	20-Sep-21	18 628	19 113	
9 360	Choice Properties LP	3.600	20-Sep-22	9 200	9 536	
16 375	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	16 375	16 860	
1 000	Choice Properties Real Estate Investment Trust	4.903	05-Jul-23	1 086	1 103	
6 092	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	6 216	6 418	
3 671	CI Investments Inc.	3.940	14-Dec-16	3 682	3 748	
8 840	Cominar Real Estate Investment Trust	3.620	21-Jun-19	8 839	8 981	
4 835	Cominar Real Estate Investment Trust	4.941	27-Jul-20	5 111	5 159	
7 403	Cominar Real Estate Investment Trust	4.250	08-Dec-21	7 403	7 498	
8 525	Crombie Real Estate Investment Trust	3.986	31-Oct-18	8 525	8 876	
8 772	Crombie Real Estate Investment Trust	3.962	01-Jun-21	8 817	9 056	
4 500	CU Inc.	6.145	22-Nov-17	5 337	5 057	
1 066	CU Inc.	6.800	13-Aug-19	1 354	1 287	
5 390	CU Inc.	11.770	30-Nov-20	8 209	8 107	
542	CU Inc.	4.801	22-Nov-21	608	625	
16 965	CU Inc.	9.920	01-Apr-22	26 238	24 703	
3 832	CU Inc.	6.215	06-Mar-24	3 875	4 862	
5 830	CU Inc.	5.563	26-May-28	7 202	7 172	
8 008	CU Inc.	5.556	30-Oct-37	9 545	10 212	
37 500	CU Inc.	4.085	02-Sep-44	37 500	39 516	
6 960	CU Inc.	4.558	07-Nov-53	6 960	7 913	
20 340	CU Inc.	4.094	19-Oct-54	20 340	21 218	
14 936	Eagle Credit Card Trust	2.849	17-Oct-18	14 936	15 383	
9 426	Emera Inc.	2.960	13-Dec-16	9 497	9 621	
1 458	Emera Inc.	4.830	02-Dec-19	1 597	1 609	
15 065	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	15 062	15 139	
3 985	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	4 425	4 367	
5 505	Enbridge Gas Distribution Inc.	4.040	23-Nov-20	5 835	6 025	
18 400	Enbridge Gas Distribution Inc.	4.770	17-Dec-21	20 831	21 064	
833	Enbridge Gas Distribution Inc.	6.160	16-Dec-33	1 113	1 097	
15 900	Enbridge Inc.	1.714	13-Mar-17	15 900	15 880	
17 638	Enbridge Inc.	4.770	02-Sep-19	18 909	19 376	
14 569	Enbridge Inc.	4.260	01-Feb-21	15 061	15 745	
8 434	Enbridge Inc.	3.160	11-Mar-21	8 507	8 564	

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
13 120	Enbridge Inc.	3.940	30-Jun-23	\$ 13 228	\$ 13 677	
1 842	Enbridge Inc.	7.220	24-Jul-30	2 493	2 363	
2 461	Enbridge Inc.	5.120	28-Sep-40	2 611	2 620	
1 500	Enbridge Income Fund	3.950	19-Nov-24	1 527	1 537	
6 580	Enbridge Pipelines Inc.	6.620	19-Nov-18	7 888	7 694	
7 507	Enbridge Pipelines Inc.	4.450	06-Apr-20	8 297	8 302	
3 547	Enbridge Pipelines Inc.	3.790	17-Aug-23	3 777	3 786	
7 092	Enbridge Pipelines Inc.	8.200	15-Feb-24	9 633	9 809	
1 100	Enbridge Pipelines Inc.	5.080	19-Dec-36	1 264	1 292	
1 460	Enbridge Pipelines Inc.	5.330	06-Apr-40	1 620	1 786	
570	Enbridge Pipelines Inc.	4.550	17-Aug-43	574	633	
16 530	Enbridge Southern Lights LP	4.014	30-Jun-40	16 530	17 085	
17 000	Enersource Corp.	4.521	29-Apr-21	17 802	19 050	
2 835	Enersource Corp.	5.297	29-Apr-41	3 452	3 519	
19 054	Enmax Corp.	6.150	19-Jun-18	21 688	21 336	
3 407	First Capital Realty Inc.	4.500	01-Mar-21	3 620	3 685	
9 385	First Capital Realty Inc.	4.790	30-Aug-24	9 645	10 205	
2 060	FortisAlberta Inc.	5.850	15-Apr-38	2 622	2 719	
990	FortisBC Energy Inc.	5.900	26-Feb-35	1 178	1 290	
9 985	Gaz Metropolitan Inc.	4.930	18-Jun-19	11 144	11 187	
4 283	Gaz Metropolitan Inc.	5.450	12-Jul-21	5 116	5 070	
43 231	Genesis Trust II	2.295	15-Feb-17	43 231	43 790	
45 590	Genesis Trust II	2.433	15-May-19	45 590	46 269	
947	George Weston Ltd.	6.690	01-Mar-33	1 069	1 156	
12 069	Golden Credit Card Trust	3.824	15-May-15	12 642	12 180	
11 590	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	11 593	11 873	
3 569	Great Lakes Power Ltd.	6.600	16-Jun-23	4 110	4 215	
23 991	Hollis Receivables Term Trust II	2.235	26-Sep-16	23 991	24 229	
35 612	Hollis Receivables Term Trust II	2.434	26-Jun-19	35 612	36 037	
10 783	Horizon Holdings Inc.	3.033	25-Jul-22	10 762	10 999	
21 047	HSBC Bank Canada	2.572	23-Nov-15	21 065	21 238	
714	HSBC Bank Canada	2.901	13-Jan-17	733	730	
28 840	HSBC Bank Canada	2.908	29-Sep-21	28 840	29 437	
6 075	Hydro One Inc.	5.180	18-Oct-17	6 908	6 653	
2 590	Hydro One Inc.	4.400	01-Jun-20	2 864	2 894	
7 370	Hydro One Inc.	7.350	03-Jun-30	10 532	10 655	
2 469	Hydro One Inc.	6.350	31-Jan-34	3 290	3 373	
10 959	Hydro One Inc.	6.030	03-Mar-39	14 421	14 890	
3 455	Hydro One Inc.	6.590	22-Apr-43	5 156	5 112	
22 905	Inter Pipeline Ltd.	1.758	30-May-17	22 905	22 872	
3 700	Inter Pipeline Ltd.	3.839	30-Jul-18	3 700	3 896	
7 395	Inter Pipeline Ltd.	4.637	30-May-44	7 395	7 564	
10 205	John Deere Canada Funding Inc.	2.300	17-Jan-18	10 187	10 330	
5 055	John Deere Canada Funding Inc.	2.650	16-Jul-18	5 054	5 174	
11 180	John Deere Canada Funding Inc.	2.350	24-Jun-19	11 168	11 291	
24 254	Loblaw Companies Ltd.	5.220	18-Jun-20	26 163	27 359	
7 153	Loblaw Companies Ltd.	4.860	12-Sep-23	7 208	7 962	
533	Loblaw Companies Ltd.	6.500	22-Jan-29	590	653	
2 804	Loblaw Companies Ltd.	6.850	01-Mar-32	3 332	3 550	
3 729	Loblaw Companies Ltd.	6.050	09-Jun-34	4 223	4 417	
6 630	Lower Mattagami Energy LP	2.228	23-Oct-17	6 628	6 717	
10 360	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	10 358	11 025	
2 662	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	2 662	2 752	
8 048	Master Credit Card Trust	3.502	21-May-16	8 381	8 255	
13 682	North Battleford Power LP	4.958	31-Dec-32	13 683	15 371	
9 232	North West Redwater Partnership	3.200	22-Jul-24	9 249	9 413	
9 050	North West Redwater Partnership	4.050	22-Jul-44	9 061	9 401	
8 655	Northland Power Solar Finance One LP	4.397	30-Jun-32	8 656	8 910	

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

PHILLIPS, HAGER & NORTH BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
3 285	Nova Gas Transmission Ltd.	8.900	27-May-25	\$ 4 969	\$ 4 778	
8 500	Nova Scotia Power Inc.	9.750	02-Aug-19	11 904	11 157	
9 597	Nova Scotia Power Inc.	8.850	19-May-25	14 405	14 148	
745	Nova Scotia Power Inc.	5.670	14-Nov-35	902	934	
2 840	Nova Scotia Power Inc.	5.950	27-Jul-39	3 404	3 747	
2 600	Nova Scotia Power Inc.	4.500	20-Jul-43	2 773	2 863	
1 448	OMERS Realty Corp.	2.498	05-Jun-18	1 447	1 477	
12 030	OMERS Realty Corp.	2.473	12-Nov-19	12 030	12 153	
16 915	OMERS Realty Corp.	2.971	05-Apr-21	16 985	17 464	
2 665	OMERS Realty Corp.	3.358	05-Jun-23	2 726	2 777	
6 682	Pembina Pipeline Corp.	3.770	24-Oct-22	6 704	6 964	
6 140	PowerStream Inc.	3.239	21-Nov-24	6 140	6 256	
13 850	Ridley Grain Ltd.	5.227	01-Aug-24	13 850	14 323	
15 291	Rogers Communications Inc.	3.000	06-Jun-17	15 672	15 679	
2 205	Rogers Communications Inc.	2.800	13-Mar-19	2 204	2 247	
2 140	Rogers Communications Inc.	4.700	29-Sep-20	2 324	2 365	
17 535	Rogers Communications Inc.	5.340	22-Mar-21	19 474	20 031	
2 713	Rogers Communications Inc.	6.110	25-Aug-40	3 003	3 266	
57 352	Royal Bank of Canada*	2.680	08-Dec-16	57 875	58 417	
65 618	Royal Bank of Canada*	3.660	25-Jan-17	68 881	68 159	
44 626	Royal Bank of Canada*	2.580	13-Apr-17	45 184	45 453	
10 529	Royal Bank of Canada*	2.364	21-Sep-17	10 667	10 671	
78 890	Royal Bank of Canada*	2.260	12-Mar-18	78 793	79 672	
23 936	Royal Bank of Canada*	2.820	12-Jul-18	24 447	24 628	
18 765	Royal Bank of Canada*	2.890	11-Oct-18	19 255	19 339	
21 351	Royal Bank of Canada*	2.770	11-Dec-18	21 879	21 917	
36 105	Royal Bank of Canada*	2.350	09-Dec-19	36 098	36 280	
4 109	Royal Bank of Canada*	2.860	03-Apr-21	4 189	4 209	
26 487	Royal Bank of Canada*	3.450	29-Sep-26	26 689	27 110	
10 308	SEC LP and Arci Ltd.	5.188	29-Aug-33	10 308	11 634	
165	Shaw Communications Inc.	5.650	01-Oct-19	186	187	
7 279	Shaw Communications Inc.	5.500	07-Dec-20	8 232	8 321	
14 940	Shaw Communications Inc.	6.750	09-Nov-39	18 145	18 546	
5 155	Sobeys Inc.	7.160	26-Feb-18	5 979	5 887	
10 702	Sobeys Inc.	3.520	08-Aug-18	10 762	11 085	
25 620	Sobeys Inc.	4.700	08-Aug-23	25 696	27 713	
1 518	Sobeys Inc.	6.060	29-Oct-35	1 511	1 716	
8 246	TELUS Corp.	3.350	15-Mar-23	8 212	8 371	
2 065	TELUS Corp.	3.750	17-Jan-25	2 077	2 118	
900	TELUS Corp.	5.150	26-Nov-43	952	992	
6 775	TELUS Corp.	4.850	05-Apr-44	6 790	7 152	
20 635	TELUS Corp.	4.750	17-Jan-45	20 489	21 462	
247	Teranet Holdings LP	3.531	16-Dec-15	253	251	
50 042	Teranet Holdings LP	4.807	16-Dec-20	52 669	55 354	
12 523	Teranet Holdings LP	5.754	17-Dec-40	13 146	14 138	
3 600	Terasen Gas Inc.	11.800	30-Sep-15	5 046	3 864	
5 290	Terasen Gas Inc.	10.300	30-Sep-16	7 273	6 048	
1 860	Terasen Gas Inc.	5.550	25-Sep-36	2 187	2 348	
7 272	Terasen Gas Inc.	6.000	02-Oct-37	9 723	9 724	
2 300	Terasen Gas Vancouver Island Inc.	5.200	06-Dec-40	2 293	2 805	
25 070	Thomson Reuters Corp.	3.369	23-May-19	25 104	25 990	
16 327	Thomson Reuters Corp.	4.350	30-Sep-20	17 302	17 675	
14 975	Thomson Reuters Corp.	3.309	12-Nov-21	14 975	15 207	
11 375	Tim Hortons Inc.	4.200	01-Jun-17	11 845	11 522	
20 555	Tim Hortons Inc.	2.850	01-Apr-19	20 549	20 761	
16 347	Tim Hortons Inc.	4.520	01-Dec-23	16 382	16 555	
8 270	TMX Group Ltd.	1.975	03-Oct-16	8 330	8 297	
17 495	TMX Group Ltd.	3.253	03-Oct-18	17 540	18 193	

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

PHILLIPS, HAGER & NORTH BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
10 815	TMX Group Ltd.	4.461	03-Oct-23	\$ 10 815	\$ 11 851	
6 042	Toronto Hydro Corp.	5.150	14-Nov-17	6 831	6 619	
3 619	Toronto Hydro Corp.	4.490	12-Nov-19	3 984	4 012	
3 983	Toronto Hydro Corp.	3.540	18-Nov-21	4 052	4 268	
4 525	Toronto Hydro Corp.	2.910	10-Apr-23	4 517	4 610	
1 955	Toronto Hydro Corp.	4.080	16-Sep-44	1 954	2 050	
50 052	Toronto-Dominion Bank	2.433	15-Aug-17	49 945	50 855	
15 355	Toronto-Dominion Bank	2.621	22-Dec-21	15 355	15 406	
31 125	Union Gas Ltd.	5.350	27-Apr-18	35 965	34 529	
11 483	Union Gas Ltd.	8.750	03-Aug-18	15 250	14 021	
2 110	Union Gas Ltd.	2.760	02-Jun-21	2 109	2 152	
1 670	Union Gas Ltd.	3.790	10-Jul-23	1 669	1 791	
9 590	Union Gas Ltd.	8.650	10-Nov-25	13 511	14 187	
418	Union Gas Ltd.	4.200	02-Jun-44	418	440	
6 009	Vancouver Fraser Port Authority	4.630	20-Apr-20	6 815	6 714	
4 645	Westcoast Energy Inc.	3.883	28-Oct-21	4 920	4 945	
1 882	Westcoast Energy Inc.	3.120	05-Dec-22	1 753	1 901	
4 670	Winnipeg Airport Authority Inc.	3.039	14-Apr-23	4 664	4 727	
5 338	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	5 460	6 569	
				3 076 893	3 128 453	36.2
FEDERAL						
125 806	Canada Housing Trust No. 1	4.100	15-Dec-18	139 339	138 359	
92 533	Canada Housing Trust No. 1	1.950	15-Jun-19	92 712	94 038	
195 164	Canada Housing Trust No. 1	2.000	15-Dec-19	197 533	198 275	
93 322	Canada Housing Trust No. 1	3.750	15-Mar-20	102 136	102 751	
118 249	Canada Housing Trust No. 1	3.350	15-Dec-20	126 163	128 442	
208 263	Canada Housing Trust No. 1	3.800	15-Jun-21	227 021	232 291	
75 086	Canada Housing Trust No. 1	2.650	15-Mar-22	76 576	78 406	
4 186	CBC Monetization Trust	4.688	15-May-27	4 231	4 796	
5 213	Government of Canada	1.500	01-Sep-17	5 274	5 272	
2 205	Government of Canada	4.250	01-Jun-18	2 435	2 434	
2 240	Government of Canada	1.750	01-Mar-19	2 285	2 286	
13 898	Government of Canada	3.750	01-Jun-19	15 405	15 389	
78 079	Government of Canada	1.750	01-Sep-19	79 313	79 534	
3 385	Government of Canada	3.250	01-Jun-21	3 753	3 754	
29 157	Government of Canada	2.750	01-Jun-22	31 246	31 487	
43 761	Government of Canada	1.500	01-Jun-23	42 845	43 106	
15 979	Government of Canada	2.500	01-Jun-24	16 759	16 964	
31 282	Government of Canada	5.000	01-Jun-37	45 607	45 968	
207 091	Government of Canada	3.500	01-Dec-45	253 921	259 991	
8 286	Government of Canada	2.750	01-Dec-64	8 254	9 328	
				1 472 808	1 492 871	17.3
PROVINCIAL/MUNICIPAL						
8 107	Hospital for Sick Children	5.217	16-Dec-49	8 082	10 068	
391	Hydro-Quebec	11.000	15-Aug-20	627	579	
4 205	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	4 200	4 497	
18 402	Ontario Electricity Financial Corp.	8.500	26-May-25	25 116	27 893	
6 576	Ontario Electricity Financial Corp.	9.000	26-May-25	10 075	10 271	
55 294	Ontario Electricity Financial Corp.	8.250	22-Jun-26	76 249	84 400	
7 381	Ontrea Inc.	4.619	09-Apr-18	7 419	7 953	
7 981	OPB Finance Trust	3.890	04-Jul-42	7 868	8 328	
13 949	Province of Manitoba	4.050	05-Sep-45	15 240	16 114	
16 425	Province of New Brunswick	2.850	02-Jun-23	16 325	16 862	
19 775	Province of New Brunswick	4.800	03-Jun-41	23 949	24 635	
13 509	Province of New Brunswick	3.550	03-Jun-43	12 704	13 904	
19 407	Province of New Brunswick	3.800	14-Aug-45	20 330	20 941	

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

PHILLIPS, HAGER & NORTH BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
51 822	Province of Ontario	4.000	02-Jun-21	\$ 56 088	\$ 57 657	
26 481	Province of Ontario	3.150	02-Jun-22	27 497	28 012	
106 794	Province of Ontario	8.100	08-Sep-23	149 222	153 664	
209 049	Province of Ontario	3.500	02-Jun-24	219 653	224 652	
73 088	Province of Ontario	8.500	02-Dec-25	107 743	112 544	
14 638	Province of Ontario	8.000	02-Jun-26	19 538	22 059	
312 069	Province of Ontario	7.600	02-Jun-27	444 102	466 912	
457 283	Province of Ontario	6.500	08-Mar-29	618 016	643 087	
43 645	Province of Ontario	6.200	02-Jun-31	57 633	61 118	
39 346	Province of Ontario	5.850	08-Mar-33	50 555	53 934	
10 264	Province of Ontario	5.600	02-Jun-35	13 378	13 904	
12 652	Province of Ontario	4.700	02-Jun-37	14 062	15 554	
18 666	Province of Ontario	4.600	02-Jun-39	21 344	22 813	
196 316	Province of Ontario	3.500	02-Jun-43	187 950	204 410	
295 138	Province of Ontario	3.450	02-Jun-45	284 859	305 507	
47 071	Province of Ontario Residual Strip	0.000	02-Jun-41	19 254	19 410	
46 777	Province of Quebec	9.375	16-Jan-23	70 892	70 451	
109	Province of Quebec	3.750	01-Sep-24	115	119	
77 956	Province of Quebec	8.500	01-Apr-26	119 034	119 905	
39 185	Province of Quebec	6.000	01-Oct-29	50 549	52 776	
27 519	Province of Quebec	4.250	01-Dec-43	28 415	32 102	
34 266	Province of Quebec Residual Strip	0.000	01-Dec-41	13 336	13 614	
21 708	TransLink	3.800	02-Nov-20	22 110	23 651	
				2 823 529	2 964 300	34.3
TOTAL CANADIAN BONDS				7 373 230	7 585 624	87.8
UNITED KINGDOM BONDS						
9 660	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	9 586	9 870	
56 576	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	57 034	57 897	
4 200	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	4 220	4 325	
				70 840	72 092	0.8
TOTAL UNITED KINGDOM BONDS						
UNITED STATES BONDS						
9 475	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	9 829	9 662	
45 280	AT&T Inc. CAD	3.825	25-Nov-20	45 954	47 417	
31 197	Bank of America Corp. CAD	1.818	01-Jun-16	31 051	31 120	
15 325	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	14 730	16 067	
				101 564	104 266	1.2
TOTAL UNITED STATES BONDS				7 556 275	7 772 943	89.9
TOTAL BONDS						
MORTGAGE-BACKED SECURITIES						
13 164	Equitable Bank	4.350	01-Jan-18	13 682	14 162	
5 730	Merrill Lynch Mortgage Loans Inc.	7.767	05-Sep-21	5 787	6 519	
4 105	Peoples Trust	4.200	01-Oct-19	4 136	4 507	
				23 605	25 188	0.3
TOTAL MORTGAGE-BACKED SECURITIES						
MORTGAGES						
CMHC Insured						
22 437	4.980% Jan 01, 2018			22 437	24 370	
24 445	5.040% Jan 01, 2019			24 602	27 117	
597	2.980% Jul 01, 2019			597	605	
2 097	4.860% Jun 05, 2020			2 126	2 336	
4 011	4.260% Nov 01, 2022			4 011	4 446	
				53 773	58 874	0.7
TOTAL MORTGAGES						

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
PHILLIPS, HAGER & NORTH BOND FUND

December 31, 2014

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS[†]				
53 750	Banner Trust	\$ 53 605	\$ 53 605	
81 900	Bay Street Funding Trust - Class A	81 612	81 612	
77 400	Brookfield Asset Management Inc., Class A	77 143	77 143	
46 350	Central 1 Credit Union	46 069	46 069	
16 450	Clarity Trust	16 345	16 345	
4 975	Darwin Receivables Trust - Senior Notes	4 975	4 975	
15 730	Fusion Trust	15 682	15 682	
8 200	HSBC Bank Canada	8 192	8 192	
6 400	Husky Energy Inc.	6 381	6 381	
40 100	Inter Pipeline Ltd.	39 982	39 982	
175 295	King Street Funding Trust	174 410	174 410	
33 000	Merit Trust - Senior Notes	32 903	32 903	
4 000	Nova Scotia Power Inc.	3 995	3 995	
36 050	Prime Trust - Senior Notes	35 930	35 930	
3 375	Ridge Trust	3 361	3 361	
7 500	SAFE Trust - Series 1996-1	7 452	7 452	
13 305	SOUND Trust	13 221	13 221	
25 000	TransCanada PipeLines Ltd.	24 930	24 930	
71 800	Zeus Receivables Trust - Senior Notes	71 580	71 580	
TOTAL SHORT-TERM INVESTMENTS		717 768	717 768	8.3
TOTAL INVESTMENTS		8 351 421	8 574 773	99.2
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	1 635	—
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(2 142)	—
TOTAL PORTFOLIO		\$ 8 351 421	8 574 266	99.2
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			63 130	0.8
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 8 637 396	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.16% to 1.44% and mature between January 2, 2015 and June 16, 2015.

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 33 985 Sold CAD 38 370 @ 0.8857	15-Jan-15	\$ 1 124
Bought USD 9 532 Sold CAD 10 792 @ 0.8833	15-Jan-15	285
Bought USD 7 404 Sold CAD 8 378 @ 0.8837	15-Jan-15	226
		<u>\$ 1 635</u>
Contracts	Maturity Date	Unrealized Loss
Bought CAD 55 068 Sold USD 49 166 @ 1.1200	15-Jan-15	\$ (2 068)
Bought CAD 1 965 Sold USD 1 754 @ 1.1200	15-Jan-15	(74)
		<u>\$ (2 142)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (507)</u>

All counterparties have a credit rating of at least A.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 8 574 773	\$ 9 794 992	\$ 8 490 440
Cash	322	342	373
Due from investment dealers	38 941	–	39 015
Subscriptions receivable	22 512	43 570	6 820
Unrealized gain on foreign exchange contracts	1 635	57	–
Dividends receivable, interest accrued and other assets	52 321	56 199	48 626
TOTAL ASSETS	8 690 504	9 895 160	8 585 274
LIABILITIES			
Due to investment dealers	42 302	53 597	67 616
Redemptions payable	7 968	17 432	4 499
Unrealized loss on foreign exchange contracts	2 142	666	–
Accounts payable and accrued expenses	696	713	897
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	53 108	72 408	73 012
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 8 637 396	\$ 9 822 752	\$ 8 512 262
Investments at cost	\$ 8 351 421	\$ 9 943 471	\$ 8 281 494
NAV			
SERIES C	\$ 117 482	\$ 143 042	\$ 229 300
ADVISOR SERIES	\$ 35 732	\$ 34 982	\$ 43 244
SERIES D	\$ 622 449	\$ 636 614	\$ 832 584
SERIES F	\$ 78 952	\$ 76 377	\$ 115 702
SERIES O	\$ 7 782 781	\$ 8 931 737	\$ 7 291 432
NAV PER UNIT			
SERIES C	\$ 10.74	\$ 10.21	\$ 10.66
ADVISOR SERIES	\$ 10.74	\$ 10.21	\$ 10.66
SERIES D	\$ 10.65	\$ 10.12	\$ 10.58
SERIES F	\$ 10.70	\$ 10.17	\$ 10.63
SERIES O	\$ 10.67	\$ 10.15	\$ 10.61

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 335 713	\$ 321 856
Net realized gain (loss) on investments	157 416	(19 035)
Net gain (loss) on foreign currencies and other net assets	(4 096)	(83)
Change in unrealized gain (loss) on investments	371 933	(358 034)
TOTAL INCOME (LOSS)	860 966	(55 296)
EXPENSES (see notes – Fund Specific Information)		
Management fees	5 085	6 415
Administration fees	2 157	2 114
Board of Governors costs	3	3
GST/HST	730	893
TOTAL EXPENSES	7 975	9 425
INCREASE (DECREASE) IN NAV	\$ 852 991	\$ (64 721)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 9 919	\$ (3 757)
ADVISOR SERIES	\$ 2 650	\$ (768)
SERIES D	\$ 51 675	\$ (9 784)
SERIES F	\$ 6 316	\$ (1 219)
SERIES O	\$ 782 431	\$ (49 193)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.84	\$ (0.18)
ADVISOR SERIES	\$ 0.85	\$ (0.18)
SERIES D	\$ 0.89	\$ (0.13)
SERIES F	\$ 0.91	\$ (0.12)
SERIES O	\$ 0.95	\$ (0.07)

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 852 991	\$ (64 721)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(157 416)	19 035
Change in unrealized loss (gain) on investments	(371 933)	358 034
(Increase) decrease in accrued receivables	(35 063)	31 442
Increase (decrease) in accrued payables	(11 312)	(14 203)
Cost of investments purchased	(27 564 696)	(38 400 314)
Proceeds on sales of investments	29 314 162	36 719 302
NET CASH PROVIDED BY OPERATING ACTIVITIES	2 026 733	(1 351 425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 641 131	2 786 307
Cash paid on redemption of redeemable units	(3 659 274)	(1 425 887)
Distributions paid to holders of redeemable units	(8 610)	(9 026)
NET CASH USED IN FINANCING ACTIVITIES	\$ (2 026 753)	\$ 1 351 394
Net increase (decrease) in cash for the year	(20)	(31)
Cash (bank overdraft), beginning of period	342	373
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 322	\$ 342
Interest received	\$ 339 591	\$ 314 283
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 143 042	\$ 229 300	\$ 34 982	\$ 43 244	\$ 636 614	\$ 832 584	\$ 76 377	\$ 115 702
INCREASE (DECREASE) IN NAV	9 919	(3 757)	2 650	(768)	51 675	(9 784)	6 316	(1 219)
Early redemption fees	—	—	—	—	1	—	—	—
Proceeds from redeemable units issued	12 804	18 549	9 556	9 733	56 609	45 740	17 744	17 298
Reinvestments of distributions to holders of redeemable units	3 084	4 174	792	847	18 964	20 876	2 206	2 426
Redemption of redeemable units	(48 109)	(100 725)	(11 339)	(17 068)	(121 434)	(230 698)	(21 233)	(55 089)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(32 221)	(78 002)	(991)	(6 488)	(45 860)	(164 082)	(1 283)	(35 365)
Distributions from net income	(2 775)	(4 181)	(763)	(928)	(17 390)	(20 677)	(2 131)	(2 571)
Distributions from net gains	(483)	(318)	(146)	(78)	(2 590)	(1 427)	(327)	(170)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3 258)	(4 499)	(909)	(1 006)	(19 980)	(22 104)	(2 458)	(2 741)
NET INCREASE (DECREASE) IN NAV	(25 560)	(86 258)	750	(8 262)	(14 165)	(195 970)	2 575	(39 325)
NAV AT END OF PERIOD	\$ 117 482	\$ 143 042	\$ 35 732	\$ 34 982	\$ 622 449	\$ 636 614	\$ 78 952	\$ 76 377

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 8 931 737	\$ 7 291 432	\$ 9 822 752	\$ 8 512 262
INCREASE (DECREASE) IN NAV	782 431	(49 193)	852 991	(64 721)
Early redemption fees	—	—	1	—
Proceeds from redeemable units issued	1 523 360	2 731 737	1 620 073	2 823 057
Reinvestments of distributions to holders of redeemable units	330 832	295 281	355 878	323 604
Redemption of redeemable units	(3 447 696)	(1 035 240)	(3 649 811)	(1 438 820)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 593 504)	1 991 778	(1 673 859)	1 707 841
Distributions from net income	(305 818)	(282 616)	(328 877)	(310 973)
Distributions from net gains	(32 065)	(19 664)	(35 611)	(21 657)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(337 883)	(302 280)	(364 488)	(332 630)
NET INCREASE (DECREASE) IN NAV	(1 148 956)	1 640 305	(1 185 356)	1 310 490
NAV AT END OF PERIOD	\$ 7 782 781	\$ 8 931 737	\$ 8 637 396	\$ 9 822 752

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with relatively high yields and stability of capital by investing in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	22.3	17.5	10.7
AA	45.8	48.5	48.4
A	16.9	19.5	26.7
BBB	13.6	13.8	13.2
B	0.6	–	–
Unrated*	0.8	0.7	1.0
Total	100.0	100.0	100.0

* Mortgages, which represent 93.3% (December 31, 2013 – 100%, January 1, 2013 – 100%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer.

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Corporate Bonds	38.4	41.8	36.7
Provincial Bonds	34.1	29.7	31.9
Federal Bonds	17.5	12.9	8.1
Mortgages	0.7	0.6	0.8
Municipal Bonds	0.3	0.3	0.4
Cash/Other	9.0	14.7	22.1

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	1.8	1.3	3.5
1 – 5 years	29.8	33.7	30.2
5 – 10 years	28.1	29.8	21.2
> 10 years	40.3	35.2	45.1
Total	100.0	100.0	100.0

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

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 7.1% (December 31, 2013 – 6.3%, January 1, 2013 – 6.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	7 857 005	–	7 857 005
Short-term investments	–	717 768	–	717 768
Derivatives – assets	–	1 635	–	1 635
Derivatives – liabilities	–	(2 142)	–	(2 142)
Total financial instruments	–	8 574 266	–	8 574 266
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	8 368 515	–	8 368 515
Short-term investments	–	1 426 477	–	1 426 477
Derivatives – assets	–	57	–	57
Derivatives – liabilities	–	(666)	–	(666)
Total financial instruments	–	9 794 383	–	9 794 383
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	6 635 096	–	6 635 096
Short-term investments	–	1 855 344	–	1 855 344
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	8 490 440	–	8 490 440
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

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

Note 1: Management fees are calculated at the annual rate of 0.50% of the Series D net asset value, provided that the aggregate of all fees and other expenses (excluding the taxes included therein and commissions incurred in connection with portfolio transactions) paid or payable by Series D does not exceed an amount computed with reference to the following percentages of the net asset value of Series D.

Net Asset Value of Series D	Percentage
Up to \$1 000 000	2.00
From \$1 000 001 up to \$3 000 000	1.75
From \$3 000 001 up to \$5 000 000	1.50
From \$5 000 001 up to \$10 000 000	1.25
From \$10 000 001 up to \$100 000 000	1.00
Over \$100 000 000	0.75

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	54	53
Advisor Series	108	106
Series D	55	54
Series F	56	54
Value of all units	3	3

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

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	14 017	21 507
Issued number of units	1 210	1 760
Reinvested number of units	292	402
Redeemed number of units	(4 575)	(9 652)
Ending number of units	10 944	14 017
Advisor Series		
Opening units	3 428	4 056
Issued number of units	904	924
Reinvested number of units	75	82
Redeemed number of units	(1 079)	(1 634)
Ending number of units	3 328	3 428
Series D		
Opening units	62 906	78 724
Issued number of units	5 395	4 381
Reinvested number of units	1 810	2 029
Redeemed number of units	(11 648)	(22 228)
Ending number of units	58 463	62 906
Series F		
Opening units	7 511	10 889
Issued number of units	1 682	1 656
Reinvested number of units	210	235
Redeemed number of units	(2 023)	(5 269)
Ending number of units	7 380	7 511
Series O		
Opening units	879 564	687 096
Issued number of units	145 498	262 851
Reinvested number of units	31 541	28 656
Redeemed number of units	(327 027)	(99 039)
Ending number of units	729 576	879 564

December 31, 2014

Investments by other related investment funds (%)
(see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
RBC Select Very Conservative Portfolio	14.7	14.9
RBC Select Very Conservative Class	–	0.1
RBC Select Conservative Portfolio	6.4	19.6
RBC Select Conservative Class	–	0.1
Phillips, Hager & North Balanced Fund	2.8	2.3
Phillips, Hager & North Balanced Pension Trust	5.1	4.3
Phillips, Hager & North LifeTime 2015 Fund	–	–
Phillips, Hager & North LifeTime 2020 Fund	–	–
Phillips, Hager & North LifeTime 2025 Fund	–	–
Total	29.0	41.3

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	9 811 467	8 504 079
Revaluation of investments at FVTPL	11 285	8 183
Net assets attributable to holders of redeemable units	9 822 752	8 512 262

	December 31 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	(67 823)
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)	3 102
Increase (decrease) in net assets attributable to holders of redeemable units	(64 721)

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIA BONDS						
239	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 239	\$ 246	
TOTAL AUSTRALIA BONDS				239	246	0.2
CANADIAN BONDS						
CORPORATE						
50	407 International Inc.	3.980	11-Sep-52	48	51	
40	407 International Inc.	4.680	07-Oct-53	40	46	
124	Access Justice Durham Ltd.	5.015	31-Aug-39	137	141	
189	Aéroports de Montréal	6.950	16-Apr-32	205	246	
110	AltaGas Ltd.	4.500	15-Aug-44	110	107	
1 325	Bank of Montreal	3.490	10-Jun-16	1 361	1 360	
166	Bank of Montreal	5.450	17-Jul-17	182	181	
555	Bank of Montreal	3.120	19-Sep-24	555	564	
610	Bank of Nova Scotia	2.250	08-May-15	616	612	
709	Bank of Nova Scotia	1.800	09-May-16	709	711	
2 362	Bank of Nova Scotia	2.100	08-Nov-16	2 367	2 380	
577	Bank of Nova Scotia	2.740	01-Dec-16	588	588	
1 086	Bank of Nova Scotia	4.100	08-Jun-17	1 116	1 146	
465	Bank of Nova Scotia	2.400	28-Oct-19	465	469	
565	Bank of Nova Scotia	3.270	11-Jan-21	590	592	
60	BC Tel	9.650	08-Apr-22	81	85	
95	Bell Canada	1.803	22-Apr-16	95	95	
415	Bell Canada	4.370	13-Sep-17	435	440	
173	Bell Canada	4.400	16-Mar-18	179	185	
340	Bell Canada	3.250	17-Jun-20	341	351	
55	Bell Canada	4.750	29-Sep-44	56	57	
77	Bow Centre Street LP	3.693	14-Jun-22	77	78	
210	Bow Centre Street LP	3.797	13-Jun-23	210	217	
80	Brookfield Asset Management Inc.	5.300	01-Mar-21	82	89	
20	Brookfield Asset Management Inc.	4.540	31-Mar-23	20	21	
990	Brookfield Asset Management Inc.	5.040	08-Mar-24	1 035	1 083	
545	Brookfield Asset Management Inc.	4.820	28-Jan-26	548	579	
230	Brookfield Renewable Power Inc.	6.132	30-Nov-16	236	247	
198	BRP Finance ULC	4.790	07-Feb-22	200	215	
735	Cameco Corp.	5.670	02-Sep-19	825	822	
140	Cameco Corp.	3.750	14-Nov-22	140	142	
445	Cameco Corp.	4.190	24-Jun-24	445	459	
425	Canadian Credit Card Trust	1.596	24-Sep-15	425	426	
1 185	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	1 219	1 188	
2 599	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	2 595	2 605	
741	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	751	754	
600	Canadian Imperial Bank of Commerce	3.000	28-Oct-24	600	607	
313	Cards II Trust	1.984	15-Jan-16	314	314	
210	Centre Street Trust	3.690	14-Jun-21	210	214	
175	Choice Properties LP	3.000	20-Apr-16	178	177	
280	Choice Properties LP	3.600	20-Apr-20	287	291	
210	Choice Properties LP	3.600	20-Sep-21	210	216	
205	Choice Properties LP	3.600	20-Sep-22	203	209	
395	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	396	407	
90	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	90	95	
155	Cominar Real Estate Investment Trust	3.620	21-Jun-19	155	157	
90	Cominar Real Estate Investment Trust	4.941	27-Jul-20	95	96	
135	Cominar Real Estate Investment Trust	4.250	08-Dec-21	135	137	

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
210	Crombie Real Estate Investment Trust	3.986	31-Oct-18	\$ 210	\$ 219	
120	Crombie Real Estate Investment Trust	3.962	01-Jun-21	121	124	
150	CU Inc.	6.145	22-Nov-17	180	169	
300	CU Inc.	6.800	13-Aug-19	382	362	
250	CU Inc.	4.801	22-Nov-21	288	288	
125	CU Inc.	9.920	01-Apr-22	193	182	
695	CU Inc.	4.085	02-Sep-44	695	732	
320	CU Inc.	4.558	07-Nov-53	327	364	
360	CU Inc.	4.094	19-Oct-54	360	376	
289	Eagle Credit Card Trust	2.849	17-Oct-18	289	298	
190	Emera Inc.	2.960	13-Dec-16	190	194	
350	Emera Inc.	4.830	02-Dec-19	376	386	
270	Enersource Corp.	4.521	29-Apr-21	270	303	
95	Enersource Corp.	5.297	29-Apr-41	118	118	
300	Enmax Corp.	6.150	19-Jun-18	342	336	
183	First Capital Realty Inc.	5.600	30-Apr-20	205	207	
60	First Capital Realty Inc.	4.500	01-Mar-21	64	65	
180	First Capital Realty Inc.	4.790	30-Aug-24	185	196	
35	FortisAlberta Inc.	5.850	15-Apr-38	45	46	
185	FortisBC Inc.	5.900	04-Jul-47	243	254	
915	Gaz Metropolitan Inc.	4.930	18-Jun-19	1 043	1 025	
68	Gaz Metropolitan Inc.	5.450	12-Jul-21	82	81	
400	Genesis Trust II	2.295	15-Feb-17	400	405	
835	Genesis Trust II	2.433	15-May-19	835	847	
713	Golden Credit Card Trust	3.510	15-May-16	731	732	
150	Greater Toronto Airports Authority	7.050	12-Jun-30	186	211	
533	Hollis Receivables Term Trust II	2.235	26-Sep-16	533	538	
468	Hollis Receivables Term Trust II	2.434	26-Jun-19	468	474	
171	Horizon Holdings Inc.	3.033	25-Jul-22	171	174	
250	Hydro One Inc.	6.350	31-Jan-34	325	342	
460	Hydro One Inc.	6.030	03-Mar-39	584	625	
395	Inter Pipeline Ltd.	1.758	30-May-17	395	394	
150	Inter Pipeline Ltd.	4.637	30-May-44	150	153	
885	John Deere Canada Funding Inc.	2.300	17-Jan-18	889	896	
160	John Deere Canada Funding Inc.	2.350	24-Jun-19	160	162	
495	Loblaw Companies Ltd.	4.860	12-Sep-23	498	551	
75	Loblaw Companies Ltd.	6.450	09-Feb-28	84	91	
105	Lower Mattagami Energy LP	4.331	18-May-21	115	117	
145	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	145	154	
85	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	86	88	
233	North Battleford Power LP	4.958	31-Dec-32	233	262	
1 015	North West Redwater Partnership	3.200	22-Jul-24	1 019	1 035	
155	Northland Power Solar Finance One LP	4.397	30-Jun-32	155	160	
205	Nova Scotia Power Inc.	5.670	14-Nov-35	253	257	
60	Nova Scotia Power Inc.	4.500	20-Jul-43	64	66	
225	OMERS Realty Corp.	2.971	05-Apr-21	225	232	
110	PowerStream Inc.	3.239	21-Nov-24	110	112	
195	Ridley Grain Ltd.	5.227	01-Aug-24	195	202	
50	Rogers Communications Inc.	3.000	06-Jun-17	51	51	
205	Rogers Communications Inc.	5.340	22-Mar-21	230	234	
195	Rogers Communications Inc.	6.680	04-Nov-39	216	250	
1 566	Royal Bank of Canada*	2.260	12-Mar-18	1 559	1 582	
1 194	Royal Bank of Canada*	2.820	12-Jul-18	1 221	1 229	
340	Royal Bank of Canada*	2.890	11-Oct-18	349	350	
1 305	Royal Bank of Canada*	2.770	11-Dec-18	1 339	1 340	
635	Royal Bank of Canada*	2.350	09-Dec-19	635	638	
867	Royal Bank of Canada*	3.450	29-Sep-26	874	887	
196	SEC LP and Arci Ltd.	5.188	29-Aug-33	196	221	

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
95	Shaw Communications Inc.	5.500	07-Dec-20	\$ 107	\$ 109	
275	Shaw Communications Inc.	6.750	09-Nov-39	293	341	
577	Sobeys Inc.	4.700	08-Aug-23	578	624	
115	TELUS Corp.	4.850	05-Apr-44	115	121	
365	TELUS Corp.	4.750	17-Jan-45	362	380	
873	Teranet Holdings LP	4.807	16-Dec-20	941	966	
210	Teranet Holdings LP	5.754	17-Dec-40	212	237	
230	Terasen Gas Inc.	6.000	02-Oct-37	312	308	
15	Terasen Gas Inc.	6.550	24-Feb-39	22	22	
45	Thomson Reuters Corp.	3.369	23-May-19	45	47	
612	Thomson Reuters Corp.	4.350	30-Sep-20	649	663	
270	Thomson Reuters Corp.	3.309	12-Nov-21	270	274	
290	Tim Hortons Inc.	4.200	01-Jun-17	301	294	
315	Tim Hortons Inc.	2.850	01-Apr-19	315	318	
245	Tim Hortons Inc.	4.520	01-Dec-23	245	248	
110	TMX Group Ltd.	1.975	03-Oct-16	111	110	
285	TMX Group Ltd.	3.253	03-Oct-18	285	296	
170	TMX Group Ltd.	4.461	03-Oct-23	170	186	
423	Toronto Hydro Corp.	3.540	18-Nov-21	438	453	
40	Toronto Hydro Corp.	4.080	16-Sep-44	40	42	
1 078	Toronto-Dominion Bank	2.433	15-Aug-17	1 074	1 095	
275	Toronto-Dominion Bank	2.621	22-Dec-21	275	276	
405	TransCanada Pipelines Ltd.	9.450	20-Mar-18	543	492	
105	Union Gas Ltd.	9.700	06-Nov-17	144	127	
135	Union Gas Ltd.	8.750	03-Aug-18	179	165	
890	Union Gas Ltd.	3.790	10-Jul-23	892	954	
65	Union Gas Ltd.	4.200	02-Jun-44	65	68	
95	Westcoast Energy Inc.	3.883	28-Oct-21	95	101	
185	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	191	228	
				53 113	54 184	35.2
FEDERAL						
2 218	Canada Housing Trust No. 1	4.100	15-Dec-18	2 456	2 440	
2 181	Canada Housing Trust No. 1	1.950	15-Jun-19	2 185	2 217	
3 930	Canada Housing Trust No. 1	2.000	15-Dec-19	3 978	3 993	
1 632	Canada Housing Trust No. 1	3.750	15-Mar-20	1 786	1 797	
2 147	Canada Housing Trust No. 1	3.350	15-Dec-20	2 288	2 332	
3 331	Canada Housing Trust No. 1	3.800	15-Jun-21	3 643	3 715	
1 227	Canada Housing Trust No. 1	2.650	15-Mar-22	1 250	1 281	
77	CBC Monetization Trust	4.688	15-May-27	78	88	
910	Government of Canada	1.750	01-Sep-19	924	927	
422	Government of Canada	3.250	01-Jun-21	466	468	
450	Government of Canada	1.500	01-Jun-23	439	443	
1 123	Government of Canada	2.500	01-Jun-24	1 185	1 192	
555	Government of Canada	5.000	01-Jun-37	809	817	
4 157	Government of Canada	3.500	01-Dec-45	5 095	5 220	
				26 582	26 930	17.5
PROVINCIAL/MUNICIPAL						
260	Hospital for Sick Children	5.217	16-Dec-49	267	323	
99	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	99	106	
145	Ontario Electricity Financial Corp.	9.000	26-May-25	223	226	
978	Ontario Electricity Financial Corp.	8.250	22-Jun-26	1 448	1 493	
235	Ontrea Inc.	4.619	09-Apr-18	239	254	
100	OPB Finance Trust	3.890	04-Jul-42	93	104	
250	Province of Manitoba	4.050	05-Sep-45	273	289	
339	Province of New Brunswick	2.850	02-Jun-23	337	348	
314	Province of New Brunswick	4.800	03-Jun-41	382	391	
222	Province of New Brunswick	3.550	03-Jun-43	209	228	

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
395	Province of New Brunswick	3.800	14-Aug-45	\$ 414	\$ 426	
988	Province of Ontario	4.000	02-Jun-21	1 070	1 099	
616	Province of Ontario	3.150	02-Jun-22	640	652	
1 775	Province of Ontario	8.100	08-Sep-23	2 483	2 554	
4 083	Province of Ontario	3.500	02-Jun-24	4 289	4 388	
1 364	Province of Ontario	8.500	02-Dec-25	1 969	2 100	
275	Province of Ontario	8.000	02-Jun-26	411	414	
5 221	Province of Ontario	7.600	02-Jun-27	7 492	7 812	
8 239	Province of Ontario	6.500	08-Mar-29	11 134	11 587	
798	Province of Ontario	6.200	02-Jun-31	1 050	1 117	
621	Province of Ontario	5.850	08-Mar-33	780	851	
184	Province of Ontario	5.600	02-Jun-35	240	249	
227	Province of Ontario	4.700	02-Jun-37	250	279	
335	Province of Ontario	4.600	02-Jun-39	389	409	
3 306	Province of Ontario	3.500	02-Jun-43	3 179	3 442	
5 641	Province of Ontario	3.450	02-Jun-45	5 449	5 839	
902	Province of Ontario Residual Strip	0.000	02-Jun-41	370	372	
874	Province of Quebec	9.375	16-Jan-23	1 331	1 316	
1 770	Province of Quebec	8.500	01-Apr-26	2 694	2 722	
453	Province of Quebec	6.000	01-Oct-29	584	610	
352	Province of Quebec	4.250	01-Dec-43	368	411	
629	Province of Quebec Residual Strip	0.000	01-Dec-41	246	250	
517	TransLink	3.800	02-Nov-20	523	563	
				50 925	53 224	34.6
TOTAL CANADIAN BONDS				130 620	134 338	87.3
UNITED KINGDOM BONDS						
165	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	164	169	
2 780	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	2 818	2 845	
140	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	140	144	
				3 122	3 158	2.0
TOTAL UNITED KINGDOM BONDS						
UNITED STATES BONDS						
640	AT&T Inc. CAD	3.825	25-Nov-20	654	670	
				654	670	0.4
TOTAL UNITED STATES BONDS						
				134 635	138 412	89.9
TOTAL BONDS						
MORTGAGE-BACKED SECURITIES						
412	Equitable Bank	4.350	01-Jan-18	431	443	
130	Peoples Trust	4.200	01-Oct-19	132	143	
				563	586	0.4
TOTAL MORTGAGE-BACKED SECURITIES						

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

December 31, 2014

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS[†]				
2 225	Banner Trust	\$ 2 219	\$ 2 219	
250	Bay Street Funding Trust - Class A	249	249	
650	Central 1 Credit Union	646	646	
4 350	Darwin Receivables Trust - Senior Notes	4 346	4 346	
500	Inter Pipeline Ltd.	498	498	
850	King Street Funding Trust	847	847	
1 425	Prime Trust - Senior Notes	1 421	1 421	
1 000	SAFE Trust - Series 1996-1	994	994	
1 775	Zeus Receivables Trust - Senior Notes	1 771	1 771	
TOTAL SHORT-TERM INVESTMENTS		12 991	12 991	8.4
TOTAL INVESTMENTS		148 189	151 989	98.7
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	30	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(39)	–
TOTAL PORTFOLIO		\$ 148 189	151 980	98.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			2 040	1.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 154 020	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.16% to 1.28% and mature between January 2, 2015 and May 29, 2015.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 599 Sold CAD 676 @ 0.8857	15-Jan-15	\$ 20
Bought USD 171 Sold CAD 193 @ 0.8833	15-Jan-15	5
Bought USD 169 Sold CAD 191 @ 0.8837	15-Jan-15	5
		<u>\$ 30</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 991 Sold USD 885 @ 1.1200	15-Jan-15	\$ (37)
Bought CAD 60 Sold USD 54 @ 1.1200	15-Jan-15	(2)
		<u>\$ (39)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (9)</u>

All counterparties have a credit rating of at least A.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 151 989	\$ 145 671	\$ 146 583
Cash	90	25	81
Due from investment dealers	2 669	147	733
Subscriptions receivable	234	–	83
Unrealized gain on foreign exchange contracts	30	1	–
Dividends receivable, interest accrued and other assets	964	869	906
TOTAL ASSETS	155 976	146 713	148 386
LIABILITIES			
Due to investment dealers	866	68	774
Redemptions payable	1 020	371	246
Unrealized loss on foreign exchange contracts	39	7	–
Accounts payable and accrued expenses	31	25	31
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 956	471	1 051
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 154 020	\$ 146 242	\$ 147 335
Investments at cost	\$ 148 189	\$ 148 001	\$ 143 281
NAV			
SERIES C	\$ 6 941	\$ 6 327	\$ 8 260
ADVISOR SERIES	\$ 3 959	\$ 4 296	\$ 4 199
SERIES D	\$ 18 979	\$ 17 931	\$ 22 251
SERIES F	\$ 4 983	\$ 4 060	\$ 3 808
SERIES O	\$ 119 158	\$ 113 628	\$ 108 817
NAV PER UNIT			
SERIES C	\$ 11.24	\$ 10.68	\$ 11.21
ADVISOR SERIES	\$ 11.24	\$ 10.68	\$ 11.21
SERIES D	\$ 11.16	\$ 10.60	\$ 11.14
SERIES F	\$ 11.21	\$ 10.64	\$ 11.18
SERIES O	\$ 11.03	\$ 10.48	\$ 11.01

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 5 065	\$ 4 897
Net realized gain (loss) on investments	1 977	(21)
Net gain (loss) on foreign currencies and other net assets	(66)	–
Change in unrealized gain (loss) on investments	6 127	(5 638)
TOTAL INCOME (LOSS)	13 103	(762)
EXPENSES (see notes – Fund Specific Information)		
Management fees	216	237
Administration fees	78	68
Board of Governors costs	3	3
GST/HST	27	30
TOTAL EXPENSES	324	338
INCREASE (DECREASE) IN NAV	\$ 12 779	\$ (1 100)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 485	\$ (142)
ADVISOR SERIES	\$ 307	\$ (96)
SERIES D	\$ 1 522	\$ (250)
SERIES F	\$ 358	\$ (67)
SERIES O	\$ 10 107	\$ (545)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.85	\$ (0.19)
ADVISOR SERIES	\$ 0.85	\$ (0.19)
SERIES D	\$ 0.91	\$ (0.13)
SERIES F	\$ 0.91	\$ (0.13)
SERIES O	\$ 0.95	\$ (0.07)

Statements of Cash Flow *(in \$000s)*For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 12 779	\$ (1 100)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(1 977)	21
Change in unrealized loss (gain) on investments	(6 127)	5 638
(Increase) decrease in accrued receivables	(2 617)	623
Increase (decrease) in accrued payables	804	(712)
Cost of investments purchased	(543 189)	(615 982)
Proceeds on sales of investments	544 978	611 241
NET CASH PROVIDED BY OPERATING ACTIVITIES	4 651	(271)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	40 651	44 517
Cash paid on redemption of redeemable units	(44 146)	(43 693)
Distributions paid to holders of redeemable units	(1 091)	(609)
NET CASH USED IN FINANCING ACTIVITIES	\$ (4 586)	\$ 215
Net increase (decrease) in cash for the year	65	(56)
Cash (bank overdraft), beginning of period	25	81
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 90	\$ 25
Interest received	\$ 4 970	\$ 4 934
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 6 327	\$ 8 260	\$ 4 296	\$ 4 199	\$ 17 931	\$ 22 251	\$ 4 060	\$ 3 808
INCREASE (DECREASE) IN NAV	485	(142)	307	(96)	1 522	(250)	358	(67)
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 641	753	709	1 638	2 452	2 372	1 765	1 863
Reinvestments of distributions to holders of redeemable units	158	204	97	131	508	614	120	135
Redemption of redeemable units	(1 508)	(2 537)	(1 352)	(1 442)	(2 857)	(6 383)	(1 180)	(1 537)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	291	(1 580)	(546)	327	103	(3 397)	705	461
Distributions from net income	(142)	(172)	(87)	(108)	(522)	(563)	(126)	(117)
Distributions from net gains	(20)	(39)	(11)	(26)	(55)	(110)	(14)	(25)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(162)	(211)	(98)	(134)	(577)	(673)	(140)	(142)
NET INCREASE (DECREASE) IN NAV	614	(1 933)	(337)	97	1 048	(4 320)	923	252
NAV AT END OF PERIOD	\$ 6 941	\$ 6 327	\$ 3 959	\$ 4 296	\$ 18 979	\$ 17 931	\$ 4 983	\$ 4 060

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 113 628	\$ 108 817	\$ 146 242	\$ 147 335
INCREASE (DECREASE) IN NAV	10 107	(545)	12 779	(1 100)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	34 318	37 808	40 885	44 434
Reinvestments of distributions to holders of redeemable units	3 213	3 779	4 096	4 863
Redemption of redeemable units	(37 898)	(31 919)	(44 795)	(43 818)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(367)	9 668	186	5 479
Distributions from net income	(3 859)	(3 604)	(4 736)	(4 564)
Distributions from net gains	(351)	(708)	(451)	(908)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4 210)	(4 312)	(5 187)	(5 472)
NET INCREASE (DECREASE) IN NAV	5 530	4 811	7 778	(1 093)
NAV AT END OF PERIOD	\$ 119 158	\$ 113 628	\$ 154 020	\$ 146 242

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued by Canadian governments and corporations that conduct themselves in a socially responsible manner.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	22.8	18.5	12.3
AA	47.3	49.9	49.7
A	18.1	17.9	26.6
BBB	11.2	13.7	11.4
B	0.6	–	–
Total	100.0	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Corporate Bonds	37.7	42.5	37.4
Provincial Bonds	34.2	29.7	31.7
Federal Bonds	17.9	13.3	8.3
Municipal Bonds	0.4	0.4	0.4
Cash/Other	9.8	14.1	22.2

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	2.0	1.9	5.0
1 – 5 years	30.3	33.5	27.2
5 – 10 years	27.3	30.5	21.6
> 10 years	40.4	34.1	46.2
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 7.2% (December 31, 2013 – 6.4%, January 1, 2013 – 6.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	138 998	–	138 998
Short-term investments	–	12 991	–	12 991
Derivatives – assets	–	30	–	30
Derivatives – liabilities	–	(39)	–	(39)
Total financial instruments	–	151 980	–	151 980
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	125 879	–	125 879
Short-term investments	–	19 792	–	19 792
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(7)	–	(7)
Total financial instruments	–	145 665	–	145 665
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	114 699	–	114 699
Short-term investments	–	31 884	–	31 884
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	146 583	–	146 583
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

December 31, 2014

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

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

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	52	50
Advisor Series	103	101
Series D	59	103
Series F	53	51
Series O	55	53
Value of all units	4	4

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	593	737
Issued number of units	147	68
Reinvested number of units	14	19
Redeemed number of units	(137)	(231)
Ending number of units	617	593
Advisor Series		
Opening units	402	375
Issued number of units	64	148
Reinvested number of units	9	12
Redeemed number of units	(123)	(133)
Ending number of units	352	402
Series D		
Opening units	1 691	1 998
Issued number of units	224	216
Reinvested number of units	46	57
Redeemed number of units	(261)	(580)
Ending number of units	1 700	1 691
Series F		
Opening units	382	341
Issued number of units	159	169
Reinvested number of units	11	12
Redeemed number of units	(107)	(140)
Ending number of units	445	382
Series O		
Opening units	10 840	9 882
Issued number of units	3 178	3 524
Reinvested number of units	296	354
Redeemed number of units	(3 513)	(2 920)
Ending number of units	10 801	10 840

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
Phillips, Hager & North Community		
Values Balanced Fund	10.6	3.8
Total	10.6	3.8

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

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	146 078	147 192
Revaluation of investments at FVTPL	164	143
Net assets attributable to holders of redeemable units	146 242	147 335
	December 31 2013	
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(1 121)
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		21
Increase (decrease) in net assets attributable to holders of redeemable units		(1 100)

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

December 31, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
5 740 339	Phillips, Hager & North High Yield Bond Fund*	\$ 66 921	\$ 65 603	
1 451 874	RBC High Yield Bond Fund*	15 602	15 480	
TOTAL MUTUAL FUND UNITS		82 523	81 083	1.4

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
AUSTRALIA BONDS						
8 965	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 9 077	\$ 9 235	
TOTAL AUSTRALIA BONDS				9 077	9 235	0.1

CANADIAN BONDS

CORPORATE

8 498	407 International Inc.	3.870	24-Nov-17	9 031	8 965	
1 000	407 International Inc.	3.980	11-Sep-52	985	1 022	
760	407 International Inc.	4.680	07-Oct-53	760	880	
3 523	Access Justice Durham Ltd.	5.015	31-Aug-39	3 784	4 009	
3 401	Aéroports de Montréal	6.950	16-Apr-32	3 495	4 433	
675	Aéroports de Montréal	6.611	11-Apr-33	701	853	
1 915	AGT Ltd.	8.800	22-Sep-25	2 756	2 769	
2 050	Alliance Pipeline LP	4.928	16-Dec-19	2 213	2 228	
16 217	Alliance Pipeline LP	7.181	30-Jun-23	19 569	19 235	
2 645	Alliance Pipeline LP	5.546	31-Dec-23	2 945	2 913	
13 732	Alliance Pipeline LP	6.765	31-Dec-25	16 207	16 229	
10 023	Alliance Pipeline LP	7.217	31-Dec-25	12 224	12 093	
1 000	AltaGas Ltd.	5.160	13-Jan-44	1 115	1 077	
3 715	AltaGas Ltd.	4.500	15-Aug-44	3 712	3 598	
4 570	AltaLink Investments LP	5.207	16-Dec-16	4 588	4 850	
17 207	AltaLink Investments LP	3.674	05-Jun-19	17 909	18 200	
9 635	AltaLink Investments LP	3.265	05-Jun-20	9 714	9 981	
18 200	AltaLink LP	3.621	17-Sep-20	19 173	19 506	
1 055	AltaLink LP	3.668	06-Nov-23	1 059	1 130	
920	AltaLink LP	5.249	22-Sep-36	1 096	1 126	
2 700	AltaLink LP	5.381	26-Mar-40	3 441	3 394	
22 113	AltaLink LP	3.990	30-Jun-42	21 581	22 960	
393	AltaLink LP	4.922	17-Sep-43	452	470	
37 143	Bank of Montreal	3.490	10-Jun-16	38 489	38 123	
21 293	Bank of Montreal	2.960	02-Aug-16	21 843	21 731	
6 088	Bank of Montreal	5.450	17-Jul-17	6 659	6 641	
5 895	Bank of Montreal	4.550	01-Aug-17	6 451	6 303	
1 158	Bank of Montreal	2.240	11-Dec-17	1 166	1 170	
25 395	Bank of Montreal	3.120	19-Sep-24	25 423	25 826	
3 645	Bank of Nova Scotia	2.250	08-May-15	3 669	3 656	
59 028	Bank of Nova Scotia	1.800	09-May-16	59 176	59 186	
76 130	Bank of Nova Scotia	2.100	08-Nov-16	76 484	76 695	
13 514	Bank of Nova Scotia	2.740	01-Dec-16	13 683	13 776	
23 735	Bank of Nova Scotia	4.100	08-Jun-17	25 008	25 056	
15 492	Bank of Nova Scotia	2.400	28-Oct-19	15 488	15 613	
9 880	Bank of Nova Scotia	3.270	11-Jan-21	10 322	10 354	
4 220	BC Tel	9.650	08-Apr-22	5 700	5 982	
4 556	bcIMC Realty Corp.	2.650	29-Jun-17	4 662	4 664	
405	bcIMC Realty Corp.	3.510	29-Jun-22	407	428	

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
2 020	Bell Canada	1.803	22-Apr-16	\$ 2 020	\$ 2 023	
4 220	Bell Canada	4.370	13-Sep-17	4 424	4 479	
577	Bell Canada	4.400	16-Mar-18	599	618	
886	Bell Canada	3.540	12-Jun-20	896	927	
6 345	Bell Canada	3.250	17-Jun-20	6 352	6 549	
2 000	Bell Canada	4.700	11-Sep-23	2 161	2 206	
1 785	Bell Canada	7.300	23-Feb-32	1 910	2 372	
4 310	Bell Canada	4.750	29-Sep-44	4 355	4 436	
4 301	Bow Centre Street LP	3.693	14-Jun-22	4 306	4 385	
11 540	Bow Centre Street LP	3.797	13-Jun-23	11 614	11 936	
450	Brookfield Asset Management Inc.	4.540	31-Mar-23	460	481	
8 701	Brookfield Asset Management Inc.	5.040	08-Mar-24	8 994	9 516	
24 407	Brookfield Asset Management Inc.	4.820	28-Jan-26	25 370	25 929	
11 165	Brookfield Asset Management Inc.	5.950	14-Jun-35	11 455	12 357	
4 400	Brookfield Renewable Power Inc.	6.132	30-Nov-16	4 400	4 730	
4 712	BRP Finance ULC	4.790	07-Feb-22	4 986	5 124	
4 582	Cameco Corp.	5.670	02-Sep-19	5 165	5 124	
5 770	Cameco Corp.	3.750	14-Nov-22	5 810	5 862	
19 740	Cameco Corp.	4.190	24-Jun-24	19 970	20 353	
16 475	Canadian Credit Card Trust	1.596	24-Sep-15	16 483	16 498	
18 310	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	18 747	18 362	
58 087	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	58 140	58 213	
3 079	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	3 126	3 134	
37 523	Canadian Imperial Bank of Commerce	3.000	28-Oct-24	37 533	37 978	
790	Canadian Utilities Ltd.	9.400	01-May-23	1 219	1 164	
40 225	Cards II Trust	1.984	15-Jan-16	40 441	40 415	
3 940	Cards II Trust	3.333	15-May-16	4 059	4 034	
1 390	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	1 397	1 394	
3 680	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	3 682	3 709	
9 035	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	9 069	9 128	
1 000	Centra Gas Ontario Inc.	8.650	19-Oct-18	1 243	1 226	
5 725	Centre Street Trust	3.690	14-Jun-21	5 731	5 826	
4 519	Choice Properties LP	3.000	20-Apr-16	4 607	4 570	
5 755	Choice Properties LP	3.000	20-Apr-17	5 894	5 872	
20 805	Choice Properties LP	3.600	20-Apr-20	21 380	21 603	
4 490	Choice Properties LP	3.600	20-Sep-21	4 503	4 620	
2 895	Choice Properties LP	3.600	20-Sep-22	2 851	2 949	
6 445	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	6 467	6 636	
5 900	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	6 087	6 216	
1 000	CI Investments Inc.	3.940	14-Dec-16	1 032	1 021	
5 665	Cominar Real Estate Investment Trust	3.620	21-Jun-19	5 664	5 755	
11 984	Cominar Real Estate Investment Trust	4.941	27-Jul-20	12 669	12 786	
4 995	Cominar Real Estate Investment Trust	4.250	08-Dec-21	4 995	5 059	
9 550	Crombie Real Estate Investment Trust	3.986	31-Oct-18	9 798	9 944	
2 941	Crombie Real Estate Investment Trust	3.962	01-Jun-21	2 962	3 036	
1 145	CU Inc.	6.145	22-Nov-17	1 302	1 287	
1 370	CU Inc.	11.770	30-Nov-20	2 083	2 061	
4 315	CU Inc.	9.920	01-Apr-22	6 292	6 283	
2 170	CU Inc.	5.563	26-May-28	2 641	2 669	
2 390	CU Inc.	5.896	20-Nov-34	3 096	3 120	
2 085	CU Inc.	5.032	20-Nov-36	2 423	2 483	
8 318	CU Inc.	5.556	30-Oct-37	10 485	10 607	
23 335	CU Inc.	4.085	02-Sep-44	23 330	24 590	
8 360	CU Inc.	4.558	07-Nov-53	9 025	9 505	
13 110	CU Inc.	4.094	19-Oct-54	13 110	13 676	
10 076	Eagle Credit Card Trust	2.849	17-Oct-18	10 198	10 377	
13 425	Emera Inc.	2.960	13-Dec-16	13 585	13 703	

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
5 035	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	\$ 5 034	\$ 5 060	
3 015	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	3 335	3 304	
6 355	Enbridge Gas Distribution Inc.	4.040	23-Nov-20	6 857	6 956	
286	Enbridge Gas Distribution Inc.	4.770	17-Dec-21	324	327	
475	Enbridge Gas Distribution Inc.	6.160	16-Dec-33	634	625	
2 922	Enbridge Inc.	5.000	09-Aug-16	3 245	3 066	
3 955	Enbridge Inc.	1.714	13-Mar-17	3 955	3 950	
15 760	Enbridge Inc.	4.770	02-Sep-19	16 914	17 313	
10 123	Enbridge Inc.	4.260	01-Feb-21	10 687	10 940	
12 217	Enbridge Inc.	3.940	30-Jun-23	12 661	12 735	
541	Enbridge Inc.	7.220	24-Jul-30	732	694	
1 000	Enbridge Income Fund	3.950	19-Nov-24	1 018	1 025	
9 640	Enbridge Pipelines Inc.	6.620	19-Nov-18	11 440	11 272	
4 910	Enbridge Pipelines Inc.	4.450	06-Apr-20	5 450	5 430	
2 420	Enbridge Pipelines Inc.	3.790	17-Aug-23	2 577	2 583	
22 000	Enbridge Pipelines Inc.	8.200	15-Feb-24	30 969	30 429	
2 495	Enbridge Pipelines Inc.	5.350	10-Nov-39	3 118	3 062	
1 000	Enbridge Pipelines Inc.	5.330	06-Apr-40	1 214	1 223	
14 690	Enbridge Southern Lights LP	4.014	30-Jun-40	14 721	15 182	
9 355	Enersource Corp.	4.521	29-Apr-21	9 892	10 483	
570	Enersource Corp.	5.297	29-Apr-41	716	707	
13 090	Enmax Corp.	6.150	19-Jun-18	14 836	14 658	
2 242	First Capital Realty Inc.	5.600	30-Apr-20	2 506	2 538	
2 171	First Capital Realty Inc.	4.500	01-Mar-21	2 307	2 348	
5 715	First Capital Realty Inc.	4.790	30-Aug-24	5 990	6 215	
1 294	FortisAlberta Inc.	4.800	27-Oct-50	1 443	1 521	
2 481	FortisBC Inc.	5.900	04-Jul-47	3 264	3 405	
829	FortisBC Inc.	5.000	24-Nov-50	945	1 008	
5 205	Gaz Metropolitan Inc.	4.930	18-Jun-19	5 852	5 832	
1 277	Gaz Metropolitan Inc.	5.450	12-Jul-21	1 533	1 512	
14 531	Genesis Trust II	2.295	15-Feb-17	14 547	14 719	
53 970	Genesis Trust II	2.433	15-May-19	54 340	54 774	
625	George Weston Ltd.	6.690	01-Mar-33	762	763	
7 460	Golden Credit Card Trust	3.824	15-May-15	7 749	7 529	
17 556	Golden Credit Card Trust	3.510	15-May-16	17 815	18 020	
6 600	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	6 648	6 761	
971	Greater Toronto Airports Authority	7.050	12-Jun-30	1 369	1 367	
45 496	Hollis Receivables Term Trust II	2.235	26-Sep-16	45 881	45 946	
5 918	Hollis Receivables Term Trust II	2.434	26-Jun-19	5 919	5 989	
7 806	Horizon Holdings Inc.	3.033	25-Jul-22	7 808	7 962	
23 557	HSBC Bank Canada	2.572	23-Nov-15	23 711	23 770	
1 515	HSBC Bank Canada	2.901	13-Jan-17	1 515	1 550	
12 915	HSBC Bank Canada	2.908	29-Sep-21	12 915	13 182	
8 170	Hydro One Inc.	4.640	03-Mar-16	8 690	8 468	
2 425	Hydro One Inc.	5.180	18-Oct-17	2 682	2 656	
9 775	Hydro One Inc.	6.930	01-Jun-32	13 776	13 930	
3 765	Hydro One Inc.	6.350	31-Jan-34	4 997	5 144	
2 500	Hydro One Inc.	6.030	03-Mar-39	3 361	3 397	
2 510	Hydro One Inc.	6.590	22-Apr-43	3 614	3 713	
14 075	Inter Pipeline Ltd.	1.758	30-May-17	14 077	14 055	
2 800	Inter Pipeline Ltd.	3.839	30-Jul-18	2 864	2 948	
4 835	Inter Pipeline Ltd.	4.637	30-May-44	4 918	4 945	
14 435	John Deere Canada Funding Inc.	2.300	17-Jan-18	14 536	14 611	
1 855	John Deere Canada Funding Inc.	2.650	16-Jul-18	1 858	1 899	
3 180	John Deere Canada Funding Inc.	2.350	24-Jun-19	3 176	3 211	
3 710	Loblaw Companies Ltd.	5.220	18-Jun-20	3 997	4 185	
11 140	Loblaw Companies Ltd.	4.860	12-Sep-23	11 779	12 400	

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 095	Loblaw Companies Ltd.	6.450	09-Feb-28	\$ 1 167	\$ 1 336	
4 350	Loblaw Companies Ltd.	6.500	22-Jan-29	4 965	5 331	
1 945	Loblaw Companies Ltd.	6.050	09-Jun-34	2 289	2 304	
8 675	Lower Mattagami Energy LP	2.228	23-Oct-17	8 733	8 788	
3 390	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	3 389	3 608	
1 669	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	1 669	1 726	
2 045	Master Credit Card Trust	3.502	21-May-16	2 114	2 098	
1 455	Merrill Lynch Mortgage Loans Inc.	7.767	05-Sep-21	1 656	1 655	
1 010	National Bank of Canada	2.404	28-Oct-19	1 010	1 017	
8 648	North Battleford Power LP	4.958	31-Dec-32	9 024	9 716	
17 438	North West Redwater Partnership	3.200	22-Jul-24	17 518	17 780	
1 955	North West Redwater Partnership	4.050	22-Jul-44	1 975	2 031	
5 550	Northland Power Solar Finance One LP	4.397	30-Jun-32	5 551	5 714	
1 105	Nova Scotia Power Inc.	8.400	23-Oct-15	1 331	1 161	
1 530	Nova Scotia Power Inc.	9.750	02-Aug-19	2 134	2 008	
2 440	Nova Scotia Power Inc.	8.850	19-May-25	3 540	3 597	
1 150	Nova Scotia Power Inc.	4.500	20-Jul-43	1 226	1 266	
7 910	OMERS Realty Corp.	2.473	12-Nov-19	7 910	7 991	
12 835	OMERS Realty Corp.	2.971	05-Apr-21	13 000	13 252	
5 946	OMERS Realty Corp.	3.358	05-Jun-23	5 970	6 195	
4 150	Pembina Pipeline Corp.	3.770	24-Oct-22	4 245	4 325	
4 100	PowerStream Inc.	3.239	21-Nov-24	4 100	4 178	
3 680	Ridley Grain Ltd.	5.227	01-Aug-24	3 680	3 806	
3 855	Rogers Communications Inc.	3.000	06-Jun-17	3 951	3 953	
2 245	Rogers Communications Inc.	4.700	29-Sep-20	2 467	2 481	
2 400	Rogers Communications Inc.	5.340	22-Mar-21	2 695	2 742	
7 045	Rogers Communications Inc.	4.000	13-Mar-24	7 182	7 360	
3 968	Rogers Communications Inc.	6.680	04-Nov-39	4 555	5 090	
1 000	Rogers Communications Inc.	6.110	25-Aug-40	1 191	1 204	
41 897	Royal Bank of Canada*	2.680	08-Dec-16	42 457	42 675	
25 068	Royal Bank of Canada*	3.660	25-Jan-17	26 387	26 039	
77 981	Royal Bank of Canada*	2.580	13-Apr-17	79 310	79 427	
2 675	Royal Bank of Canada*	2.364	21-Sep-17	2 713	2 711	
8 257	Royal Bank of Canada*	2.260	12-Mar-18	8 327	8 339	
8 175	Royal Bank of Canada*	2.820	12-Jul-18	8 366	8 411	
12 625	Royal Bank of Canada*	2.890	11-Oct-18	12 955	13 011	
28 491	Royal Bank of Canada*	2.770	11-Dec-18	29 191	29 247	
23 925	Royal Bank of Canada*	2.350	09-Dec-19	23 920	24 041	
22 644	Royal Bank of Canada*	2.860	03-Apr-21	23 057	23 196	
14 534	Royal Bank of Canada*	3.450	29-Sep-26	14 629	14 876	
7 132	SEC LP and Arci Ltd.	5.188	29-Aug-33	7 434	8 051	
3 815	Shaw Communications Inc.	5.500	07-Dec-20	4 338	4 361	
15 715	Shaw Communications Inc.	6.750	09-Nov-39	17 939	19 508	
930	Sobeys Inc.	7.160	26-Feb-18	1 072	1 062	
5 205	Sobeys Inc.	3.520	08-Aug-18	5 272	5 391	
16 108	Sobeys Inc.	4.700	08-Aug-23	16 783	17 424	
4 328	TELUS Corp.	3.350	15-Mar-23	4 318	4 394	
1 435	TELUS Corp.	3.750	17-Jan-25	1 443	1 472	
8 000	TELUS Corp.	5.150	26-Nov-43	8 458	8 820	
6 484	TELUS Corp.	4.850	05-Apr-44	6 654	6 845	
12 975	TELUS Corp.	4.750	17-Jan-45	12 883	13 495	
30 755	Teranet Holdings LP	4.807	16-Dec-20	33 206	34 020	
7 185	Teranet Holdings LP	5.754	17-Dec-40	7 594	8 111	
2 220	Terasen Gas Inc.	10.300	30-Sep-16	2 611	2 538	
3 417	Terasen Gas Inc.	6.000	02-Oct-37	4 459	4 569	
75	Terasen Gas Inc.	6.550	24-Feb-39	109	108	
1 210	Terasen Gas Vancouver Island Inc.	5.200	06-Dec-40	1 433	1 476	

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

Investment Management®

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
3 600	Thomson Reuters Corp.	3.369	23-May-19	\$ 3 600	\$ 3 732	
20 194	Thomson Reuters Corp.	4.350	30-Sep-20	21 799	21 861	
9 850	Thomson Reuters Corp.	3.309	12-Nov-21	9 850	10 002	
27 910	Tim Hortons Inc.	4.200	01-Jun-17	29 447	28 271	
6 930	Tim Hortons Inc.	2.850	01-Apr-19	6 931	6 999	
4 565	Tim Hortons Inc.	4.520	01-Dec-23	4 577	4 623	
2 210	TMX Group Ltd.	1.975	03-Oct-16	2 226	2 217	
15 640	TMX Group Ltd.	3.253	03-Oct-18	16 043	16 264	
3 310	TMX Group Ltd.	4.461	03-Oct-23	3 310	3 627	
11 645	Toronto Hydro Corp.	4.490	12-Nov-19	12 964	12 910	
6 674	Toronto Hydro Corp.	3.540	18-Nov-21	6 953	7 151	
3 815	Toronto Hydro Corp.	2.910	10-Apr-23	3 798	3 887	
1 160	Toronto Hydro Corp.	4.080	16-Sep-44	1 159	1 217	
24 600	Toronto-Dominion Bank	2.433	15-Aug-17	24 808	24 995	
10 545	Toronto-Dominion Bank	2.621	22-Dec-21	10 545	10 580	
2 450	TransCanada PipeLines Ltd.	8.200	15-Aug-31	3 718	3 565	
4 600	Union Gas Ltd.	11.500	28-Aug-15	6 253	4 885	
1 000	Union Gas Ltd.	5.350	27-Apr-18	1 162	1 109	
3 600	Union Gas Ltd.	8.750	03-Aug-18	4 780	4 396	
3 995	Union Gas Ltd.	3.790	10-Jul-23	4 001	4 284	
3 940	Union Gas Ltd.	8.650	10-Nov-25	5 548	5 829	
7 456	Union Gas Ltd.	4.200	02-Jun-44	7 568	7 856	
1 530	Vancouver Fraser Port Authority	4.630	20-Apr-20	1 703	1 710	
7 700	Westcoast Energy Inc.	8.500	23-Nov-15	8 953	8 144	
2 767	Westcoast Energy Inc.	9.900	10-Jan-20	4 019	3 687	
1 000	Westcoast Energy Inc.	3.883	28-Oct-21	1 020	1 065	
2 855	Winnipeg Airport Authority Inc.	4.569	20-Nov-19	3 169	3 159	
1 740	Winnipeg Airport Authority Inc.	3.039	14-Apr-23	1 737	1 761	
4 575	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	4 832	5 630	
				2 219 237	2 244 085	37.5
FEDERAL						
75 566	Canada Housing Trust No. 1	4.100	15-Dec-18	83 134	83 106	
90 562	Canada Housing Trust No. 1	1.950	15-Jun-19	90 959	92 035	
153 808	Canada Housing Trust No. 1	2.000	15-Dec-19	155 698	156 260	
58 860	Canada Housing Trust No. 1	3.750	15-Mar-20	64 411	64 807	
112 747	Canada Housing Trust No. 1	3.350	15-Dec-20	120 649	122 466	
123 718	Canada Housing Trust No. 1	3.800	15-Jun-21	136 252	137 992	
45 726	Canada Housing Trust No. 1	2.650	15-Mar-22	46 784	47 748	
1 626	CBC Monetization Trust	4.688	15-May-27	1 626	1 863	
2 531	Government of Canada	1.750	01-Mar-19	2 582	2 583	
7 882	Government of Canada	3.750	01-Jun-19	8 736	8 727	
29 157	Government of Canada	1.750	01-Sep-19	29 671	29 700	
6 769	Government of Canada	3.500	01-Jun-20	7 496	7 514	
4 815	Government of Canada	3.250	01-Jun-21	5 322	5 339	
3 939	Government of Canada	2.750	01-Jun-22	4 230	4 254	
17 537	Government of Canada	1.500	01-Jun-23	17 180	17 273	
38 348	Government of Canada	2.500	01-Jun-24	40 329	40 708	
4 240	Government of Canada	5.750	01-Jun-29	6 021	6 163	
30 740	Government of Canada	5.000	01-Jun-37	44 494	45 171	
124 577	Government of Canada	3.500	01-Dec-45	153 424	156 399	
				1 018 998	1 030 108	17.2

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL						
7 023	Hospital for Sick Children	5.217	16-Dec-49	\$ 7 265	\$ 8 722	
2 803	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	2 857	2 998	
4 873	Ontario Electricity Financial Corp.	8.500	26-May-25	7 286	7 386	
7 007	Ontario Electricity Financial Corp.	9.000	26-May-25	10 759	10 944	
34 471	Ontario Electricity Financial Corp.	8.250	22-Jun-26	50 285	52 616	
500	Ontario Infrastructure Projects Corp.	4.600	01-Jun-15	517	507	
5 022	Ontrea Inc.	4.619	09-Apr-18	5 169	5 411	
8 070	OPB Finance Trust	3.890	04-Jul-42	8 032	8 421	
9 251	Province of Manitoba	4.050	05-Sep-45	10 107	10 687	
7 807	Province of New Brunswick	2.850	02-Jun-23	7 803	8 015	
13 861	Province of New Brunswick	4.800	03-Jun-41	16 726	17 267	
7 976	Province of New Brunswick	3.550	03-Jun-43	7 759	8 209	
15 306	Province of New Brunswick	3.800	14-Aug-45	16 045	16 516	
31 124	Province of Ontario	4.000	02-Jun-21	34 172	34 629	
54 202	Province of Ontario	3.150	02-Jun-22	55 950	57 335	
71 979	Province of Ontario	8.100	08-Sep-23	100 717	103 569	
163 050	Province of Ontario	3.500	02-Jun-24	171 317	175 220	
41 602	Province of Ontario	8.500	02-Dec-25	62 695	64 061	
5 272	Province of Ontario	8.000	02-Jun-26	7 668	7 945	
188 083	Province of Ontario	7.600	02-Jun-27	270 054	281 407	
312 723	Province of Ontario	6.500	08-Mar-29	426 645	439 789	
29 670	Province of Ontario	6.200	02-Jun-31	39 112	41 548	
26 321	Province of Ontario	5.850	08-Mar-33	34 014	36 080	
7 054	Province of Ontario	5.600	02-Jun-35	9 160	9 556	
8 696	Province of Ontario	4.700	02-Jun-37	9 878	10 690	
12 829	Province of Ontario	4.600	02-Jun-39	14 602	15 679	
127 523	Province of Ontario	3.500	02-Jun-43	124 887	132 781	
228 446	Province of Ontario	3.450	02-Jun-45	223 163	236 472	
33 178	Province of Ontario Residual Strip	0.000	02-Jun-41	13 258	13 681	
28 542	Province of Quebec	9.375	16-Jan-23	42 602	42 987	
4 273	Province of Quebec	3.750	01-Sep-24	4 525	4 663	
53 745	Province of Quebec	8.500	01-Apr-26	80 452	82 665	
26 945	Province of Quebec	6.000	01-Oct-29	35 061	36 291	
18 050	Province of Quebec	4.250	01-Dec-43	19 815	21 056	
24 230	Province of Quebec Residual Strip	0.000	01-Dec-41	9 216	9 627	
14 968	TransLink	3.800	02-Nov-20	15 448	16 308	
				1 955 021	2 031 738	34.0
TOTAL CANADIAN BONDS				5 193 256	5 305 931	88.7
UNITED KINGDOM BONDS						
5 625	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	5 632	5 747	
38 380	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	39 005	39 276	
790	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	790	814	
TOTAL UNITED KINGDOM BONDS				45 427	45 837	0.8
UNITED STATES BONDS						
6 120	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	6 329	6 241	
26 430	AT&T Inc. CAD	3.825	25-Nov-20	27 274	27 677	
12 350	Bank of America Corp. CAD	1.818	01-Jun-16	12 267	12 320	
6 630	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	6 762	6 951	
TOTAL UNITED STATES BONDS				52 632	53 189	0.9
TOTAL BONDS				5 300 392	5 414 192	90.5
MORTGAGE-BACKED SECURITIES						
6 722	Equitable Bank	4.350	01-Jan-18	6 952	7 231	
2 088	Peoples Trust	4.200	01-Oct-19	2 086	2 293	
TOTAL MORTGAGE-BACKED SECURITIES				9 038	9 524	0.2

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

December 31, 2014

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
MORTGAGES				
CMHC Insured				
2 572	4.930% Nov 01, 2019	\$ 2 622	\$ 2 839	
2 028	4.930% Dec 01, 2019	2 042	2 275	
1 886	4.850% Jan 01, 2020	1 903	2 100	
1 719	4.260% Nov 01, 2022	1 719	1 905	
TOTAL MORTGAGES		8 286	9 119	0.1
SHORT-TERM INVESTMENTS†				
50 750	Banner Trust	50 666	50 666	
26 625	Bay Street Funding Trust - Class A	26 485	26 485	
34 850	Brookfield Asset Management Inc., Class A	34 732	34 732	
14 850	Central 1 Credit Union	14 771	14 771	
5 000	Darwin Receivables Trust - Senior Notes	4 985	4 985	
450	Enbridge Gas Distribution Inc.	449	449	
2 750	Government of Canada Treasury Bills	2 738	2 738	
15 550	Inter Pipeline Ltd.	15 504	15 504	
75 105	King Street Funding Trust	74 707	74 707	
41 200	Merit Trust - Senior Notes	41 064	41 064	
6 000	Nissan Canada Financial Services Inc.	5 992	5 992	
7 900	Nova Scotia Power Inc.	7 891	7 891	
9 000	OMERS Realty Corp.	8 974	8 974	
54 350	Prime Trust - Senior Notes	54 191	54 191	
7 000	Ridge Trust	6 972	6 972	
10 000	SOUND Trust	9 936	9 936	
6 500	TransCanada PipeLines Ltd.	6 489	6 489	
68 200	Zeus Receivables Trust - Senior Notes	68 013	68 013	
TOTAL SHORT-TERM INVESTMENTS		434 559	434 559	7.3
TOTAL INVESTMENTS		5 834 798	5 948 477	99.5
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	1 162	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(1 528)	–
TOTAL PORTFOLIO		\$ 5 834 798	5 948 111	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			30 012	0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 5 978 123	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 0.96% to 1.44% and mature between January 2, 2015 and June 18, 2015.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 22 321 Sold CAD 25 201 @ 0.8857	15-Jan-15	\$ 738
Bought USD 5 804 Sold CAD 6 571 @ 0.8833	15-Jan-15	174
Bought USD 8 211 Sold CAD 9 292 @ 0.8837	15-Jan-15	250
		\$ 1 162
Contracts	Maturity Date	Unrealized Loss
Bought CAD 35 408 Sold USD 31 613 @ 1.1200	15-Jan-15	\$ (1 329)
Bought CAD 5 289 Sold USD 4 723 @ 1.1200	15-Jan-15	(199)
		\$ (1 528)
TOTAL FOREIGN EXCHANGE		\$ (366)

All counterparties have a credit rating of at least A.

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

Statements of Financial Position (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 5 948 477	\$ 2 614 838	\$ 2 897 389
Cash	311	326	296
Due from investment dealers	33 791	–	7 918
Subscriptions receivable	50 464	3 075	2 057
Futures contracts margin receivable	6	69	1 902
Unrealized gain on foreign exchange contracts	1 162	16	–
Dividends receivable, interest accrued and other assets	35 585	15 518	16 442
TOTAL ASSETS	6 069 796	2 633 842	2 926 004
LIABILITIES			
Due to investment dealers	87 334	–	8 680
Redemptions payable	1 936	3 896	1 294
Unrealized loss on foreign exchange contracts	1 528	186	–
Accounts payable and accrued expenses	875	726	927
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	91 673	4 808	10 901
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 5 978 123	\$ 2 629 034	\$ 2 915 103
Investments at cost	\$ 5 834 798	\$ 2 642 945	\$ 2 790 726
NAV			
SERIES C	\$ 166 803	\$ 172 400	\$ 253 987
ADVISOR SERIES	\$ 98 269	\$ 98 849	\$ 120 459
SERIES H	\$ 19 429	\$ 1 282	\$ –
SERIES D	\$ 527 221	\$ 487 125	\$ 725 163
SERIES F	\$ 339 951	\$ 334 696	\$ 320 752
SERIES I	\$ 48 745	\$ 8 257	\$ –
SERIES O	\$ 4 777 705	\$ 1 526 425	\$ 1 494 742
NAV PER UNIT			
SERIES C	\$ 11.69	\$ 11.12	\$ 11.70
ADVISOR SERIES	\$ 11.69	\$ 11.13	\$ 11.70
SERIES H	\$ 11.71	\$ 11.13	\$ –
SERIES D	\$ 11.69	\$ 11.12	\$ 11.69
SERIES F	\$ 11.70	\$ 11.13	\$ 11.71
SERIES I	\$ 11.72	\$ 11.14	\$ –
SERIES O	\$ 11.63	\$ 11.06	\$ 11.63

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)*	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 136 857	\$ 101 762
Net gain (loss) from futures contracts	(1 285)	(16)
Other income received from underlying funds	6 477	6 513
Net realized gain (loss) on investments	46 522	12 110
Net gain (loss) on foreign currencies and other net assets	(1 942)	(57)
Change in unrealized gain (loss) on investments	141 590	(134 940)
TOTAL INCOME (LOSS)	328 219	(14 628)
EXPENSES (see notes – Fund Specific Information)		
Management fees	6 834	7 987
Administration fees	1 070	895
Board of Governors costs	3	3
GST/HST	777	899
TOTAL EXPENSES	8 684	9 784
INCREASE (DECREASE) IN NAV	\$ 319 535	\$ (24 412)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 12 632	\$ (3 726)
ADVISOR SERIES	\$ 7 252	\$ (1 983)
SERIES H	\$ 651	\$ (61)
SERIES D	\$ 41 279	\$ (5 606)
SERIES F	\$ 27 493	\$ (3 528)
SERIES I	\$ 1 769	\$ (159)
SERIES O	\$ 228 459	\$ (9 349)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.95	\$ (0.19)
ADVISOR SERIES	\$ 0.94	\$ (0.19)
SERIES H	\$ 0.70	\$ (0.12)
SERIES D	\$ 1.00	\$ (0.13)
SERIES F	\$ 1.02	\$ (0.12)
SERIES I	\$ 0.87	\$ (0.09)
SERIES O	\$ 0.91	\$ (0.06)

* Series H and Series I launched April 2013.

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

For the periods ended December 31 (see note 2 in the generic notes)*	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 319 535	\$ (24 412)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(46 522)	(12 110)
Change in unrealized loss (gain) on investments	(141 590)	134 940
(Increase) decrease in accrued receivables	(53 858)	8 842
Increase (decrease) in accrued payables	87 483	(8 881)
Cost of investments purchased	(15 730 748)	(9 772 741)
Proceeds on sales of investments	12 585 417	9 932 632
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2 980 283)	258 270
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 799 495	909 074
Cash paid on redemption of redeemable units	(786 212)	(1 138 198)
Distributions paid to holders of redeemable units	(33 078)	(30 949)
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 980 205	\$ (260 073)
Net increase (decrease) in cash for the year	(78)	(1 803)
Cash (bank overdraft), beginning of period	395	2 198
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 317	\$ 395
Interest received	\$ 116 790	\$ 102 686
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

* Series H and Series I launched April 2013.

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

For the periods ended December 31 (see note 2 in the generic notes)*	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 172 400	\$ 253 987	\$ 98 849	\$ 120 459	\$ 1 282	\$ —	\$ 487 125	\$ 725 163
INCREASE (DECREASE) IN NAV	12 632	(3 726)	7 252	(1 983)	651	(61)	41 279	(5 606)
Early redemption fees	—	—	—	—	—	—	1	—
Proceeds from redeemable units issued	45 211	33 342	36 393	34 242	20 444	2 640	85 119	58 999
Reinvestments of distributions to holders of redeemable units	4 034	6 327	1 948	3 032	274	15	15 119	20 153
Redemption of redeemable units	(63 058)	(110 513)	(43 675)	(53 014)	(2 910)	(1 273)	(85 011)	(289 376)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(13 813)	(70 844)	(5 334)	(15 740)	17 808	1 382	15 228	(210 224)
Distributions from net income	(3 711)	(5 613)	(2 082)	(3 081)	(229)	(29)	(14 166)	(18 255)
Distributions from net gains	(705)	(1 404)	(416)	(806)	(83)	(10)	(2 245)	(3 953)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4 416)	(7 017)	(2 498)	(3 887)	(312)	(39)	(16 411)	(22 208)
NET INCREASE (DECREASE) IN NAV	(5 597)	(81 587)	(580)	(21 610)	18 147	1 282	40 096	(238 038)
NAV AT END OF PERIOD	\$ 166 803	\$ 172 400	\$ 98 269	\$ 98 849	\$ 19 429	\$ 1 282	\$ 527 221	\$ 487 125

For the periods ended December 31 (see note 2 in the generic notes)*	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 334 696	\$ 320 752	\$ 8 257	\$ —	\$ 1 526 425	\$ 1 494 742	\$ 2 629 034	\$ 2 915 103
INCREASE (DECREASE) IN NAV	27 493	(3 528)	1 769	(159)	228 459	(9 349)	319 535	(24 412)
Early redemption fees	3	2	—	—	1	—	5	2
Proceeds from redeemable units issued	122 582	187 860	44 635	13 720	3 492 500	579 289	3 846 884	910 092
Reinvestments of distributions to holders of redeemable units	5 449	7 273	639	132	94 036	52 359	121 499	89 291
Redemption of redeemable units	(139 518)	(163 780)	(5 640)	(5 230)	(444 445)	(517 616)	(784 257)	(1 140 802)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(11 484)	31 355	39 634	8 622	3 142 092	114 032	3 184 131	(141 417)
Distributions from net income	(9 315)	(11 166)	(711)	(144)	(99 137)	(60 603)	(129 351)	(98 891)
Distributions from net gains	(1 439)	(2 717)	(204)	(62)	(20 134)	(12 397)	(25 226)	(21 349)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(10 754)	(13 883)	(915)	(206)	(119 271)	(73 000)	(154 577)	(120 240)
NET INCREASE (DECREASE) IN NAV	5 255	13 944	40 488	8 257	3 251 280	31 683	3 349 089	(286 069)
NAV AT END OF PERIOD	\$ 339 951	\$ 334 696	\$ 48 745	\$ 8 257	\$ 4 777 705	\$ 1 526 425	\$ 5 978 123	\$ 2 629 034

* Series H and Series I launched April 2013.

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations. It also invests in derivatives.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	22.9	11.8	8.2
AA	45.5	49.4	46.9
A	16.6	18.8	27.7
BBB	12.7	15.6	14.3
BB	0.5	1.5	1.0
B	1.6	2.5	1.2
Unrated*	0.2	0.4	0.7
Total	100.0	100.0	100.0

* Mortgages, which represent 100% (December 31, 2013 – 100%, January 1, 2013 – 100%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer.

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Corporate Bonds	40.5	52.6	43.1
Provincial Bonds	33.7	29.6	31.7
Federal Bonds	17.4	8.0	5.6
Municipal Bonds	0.3	0.4	0.4
Mortgages	0.2	0.4	0.3
Cash/Other	7.9	9.0	18.9

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	2.2	1.5	5.3
1 – 5 years	29.8	38.0	29.9
5 – 10 years	28.4	25.8	20.0
> 10 years	39.6	34.7	44.8
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 7.2% (December 31, 2013 – 6.4%, January 1, 2013 – 6.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	81 083	–	–	81 083
Fixed-income and debt securities	–	5 432 835	–	5 432 835
Short-term investments	–	434 559	–	434 559
Derivatives – assets	–	1 162	–	1 162
Derivatives – liabilities	–	(1 528)	–	(1 528)
Total financial instruments	81 083	5 867 028	–	5 948 111
% of total portfolio	1.4	98.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	111 246	–	–	111 246
Fixed-income and debt securities	–	2 289 452	–	2 289 452
Short-term investments	–	214 140	–	214 140
Derivatives – assets	–	16	–	16
Derivatives – liabilities	–	(186)	–	(186)
Total financial instruments	111 246	2 503 422	–	2 614 668
% of total portfolio	4.3	95.7	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	87 697	–	–	87 697
Fixed-income and debt securities	–	2 279 461	–	2 279 461
Short-term investments	–	530 231	–	530 231
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	87 697	2 809 692	–	2 897 389
% of total portfolio	3.0	97.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

Series C	1.00%
Advisor Series	1.00%
Series H	0.90%
Series D	0.50%
Series F	0.50%
Series I	0.40%

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series H	0.05%
Series D	0.04%
Series F	0.05%
Series I	0.05%
Series O	0.02%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	50	49
Advisor Series	100	98
Series H	90	87
Series D	51	50
Series F	51	50
Series I	91	88
Value of all units	5	5

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
RBC High Yield Bond Fund	0.3	1.2	–	–
Phillips, Hager & North High Yield Bond Fund	1.1	1.8	4.2	3.4
			January 1, 2013	
			NAV	Ownership
Phillips, Hager & North High Yield Bond Fund			3.0	2.7

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	15 497	21 710
Issued number of units	3 926	2 878
Reinvested number of units	350	558
Redeemed number of units	(5 501)	(9 649)
Ending number of units	14 272	15 497
Advisor Series		
Opening units	8 885	10 295
Issued number of units	3 158	2 956
Reinvested number of units	169	268
Redeemed number of units	(3 808)	(4 634)
Ending number of units	8 404	8 885
Series H		
Opening units	115	–
Issued number of units	1 773	227
Reinvested number of units	24	1
Redeemed number of units	(252)	(113)
Ending number of units	1 660	115

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

December 31, 2014

For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
Series D		
Opening units	43 821	62 034
Issued number of units	7 394	5 107
Reinvested number of units	1 314	1 780
Redeemed number of units	(7 420)	(25 100)
Ending number of units	45 109	43 821
Series F		
Opening units	30 066	27 394
Issued number of units	10 649	16 311
Reinvested number of units	473	642
Redeemed number of units	(12 137)	(14 281)
Ending number of units	29 051	30 066
Series I		
Opening units	741	–
Issued number of units	3 850	1 195
Reinvested number of units	55	12
Redeemed number of units	(486)	(466)
Ending number of units	4 160	741
Series O		
Opening units	137 995	128 536
Issued number of units	303 358	50 372
Reinvested number of units	8 181	4 653
Redeemed number of units	(38 753)	(45 566)
Ending number of units	410 781	137 995

Investments by other related investment funds (%)
 (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
RBC Monthly Income Bond Fund	2.9	7.0
RBC Balanced Growth & Income Fund	1.4	0.9
RBC Select Very Conservative Portfolio	12.7	–
RBC Select Conservative Portfolio	28.4	–
RBC Select Balanced Portfolio	4.4	–
RBC Select Growth Portfolio	1.0	–
RBC Select Choices Conservative Portfolio	0.5	1.1
RBC Select Choices Balanced Portfolio	0.7	1.5
RBC Select Choices Growth Portfolio	0.2	0.4
RBC Target 2015 Education Fund	–	0.4
RBC Target 2020 Education Fund	1.1	2.1
RBC Target 2025 Education Fund	0.6	0.9
Total	53.9	14.3

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	2 625 784	2 912 118
Revaluation of investments at FVTPL	3 250	2 985
Net assets attributable to holders of redeemable units	2 629 034	2 915 103
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(24 677)
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		265
Increase (decrease) in net assets attributable to holders of redeemable units		(24 412)

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH INFLATION-LINKED BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
537	Teranet Holdings LP	3.270	01-Dec-31	\$ 535	\$ 601	
				535	601	1.0
FEDERAL						
3 889	Government of Canada	4.250	01-Dec-21	479	5 009	
4	Government of Canada	2.500	01-Jun-24	4	4	
7 165	Government of Canada	4.250	01-Dec-26	2 466	10 403	
4 829	Government of Canada	4.000	01-Dec-31	8 829	7 575	
6 222	Government of Canada	3.000	01-Dec-36	4 708	9 336	
5 033	Government of Canada	2.000	01-Dec-41	1 184	6 750	
7 803	Government of Canada	1.500	01-Dec-44	8 430	9 621	
1 066	Government of Canada	3.500	01-Dec-45	1 330	1 338	
2 944	Government of Canada	1.250	01-Dec-47	3 183	3 467	
				30 613	53 503	83.1
PROVINCIAL/MUNICIPAL						
3 252	Province of Ontario	2.000	01-Dec-36	3 336	3 611	
616	Province of Quebec	4.500	01-Dec-21	768	773	
1 517	Province of Quebec	4.500	01-Dec-26	1 942	2 069	
1 711	Province of Quebec	4.250	01-Dec-31	2 333	2 439	
				8 379	8 892	13.8
TOTAL CANADIAN BONDS				\$ 39 526	62 996	97.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					1 367	2.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 64 363	100.0

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 62 996	\$ 84 655	\$ 169 847
Cash	40	24	76
Due from investment dealers	1 068	56	–
Subscriptions receivable	183	16	314
Dividends receivable, interest accrued and other assets	121	173	263
TOTAL ASSETS	64 408	84 924	170 500
LIABILITIES			
Redemptions payable	16	122	77
Accounts payable and accrued expenses	29	36	89
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	45	158	166
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 64 363	\$ 84 766	\$ 170 334
Investments at cost	\$ 39 526	\$ 72 551	\$ 150 169
NAV			
SERIES C	\$ 19 233	\$ 26 592	\$ 72 950
ADVISOR SERIES	\$ 2 178	\$ 3 123	\$ 7 069
SERIES D	\$ 15 855	\$ 15 575	\$ 34 751
SERIES F	\$ 8 108	\$ 12 557	\$ 25 030
SERIES O	\$ 18 989	\$ 26 919	\$ 30 534
NAV PER UNIT			
SERIES C	\$ 10.99	\$ 10.24	\$ 12.57
ADVISOR SERIES	\$ 10.99	\$ 10.24	\$ 12.57
SERIES D	\$ 11.03	\$ 10.29	\$ 12.64
SERIES F	\$ 11.01	\$ 10.27	\$ 12.63
SERIES O	\$ 11.10	\$ 10.35	\$ 12.73

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 4 408	\$ 5 883
Net realized gain (loss) on investments	(6 071)	(16 832)
Change in unrealized gain (loss) on investments	11 366	(7 574)
TOTAL INCOME (LOSS)	9 703	(18 523)
EXPENSES (see notes – Fund Specific Information)		
Management fees	297	572
Administration fees	29	52
Board of Governors costs	3	3
GST/HST	32	62
TOTAL EXPENSES	361	689
INCREASE (DECREASE) IN NAV	\$ 9 342	\$ (19 212)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 2 968	\$ (7 594)
ADVISOR SERIES	\$ 338	\$ (845)
SERIES D	\$ 2 015	\$ (3 694)
SERIES F	\$ 1 391	\$ (2 936)
SERIES O	\$ 2 630	\$ (4 143)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 4.33	\$ (1.80)
ADVISOR SERIES	\$ 4.33	\$ (1.73)
SERIES D	\$ 4.43	\$ (1.79)
SERIES F	\$ 4.39	\$ (1.76)
SERIES O	\$ 4.50	\$ (1.79)

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 9 342	\$ (19 212)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	6 071	16 832
Change in unrealized loss (gain) on investments	(11 366)	7 574
(Increase) decrease in accrued receivables	(960)	34
Increase (decrease) in accrued payables	(7)	(53)
Cost of investments purchased	(688 569)	(790 035)
Proceeds on sales of investments	715 523	850 821
NET CASH PROVIDED BY OPERATING ACTIVITIES	30 034	65 961
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	8 534	19 547
Cash paid on redemption of redeemable units	(37 922)	(85 118)
Distributions paid to holders of redeemable units	(630)	(442)
NET CASH USED IN FINANCING ACTIVITIES	\$ (30 018)	\$ (66 013)
Net increase (decrease) in cash for the year	16	(52)
Cash (bank overdraft), beginning of period	24	76
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 40	\$ 24
Interest received	\$ 4 460	\$ 5 973
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 26 592	\$ 72 950	\$ 3 123	\$ 7 069	\$ 15 575	\$ 34 751	\$ 12 557	\$ 25 030
INCREASE (DECREASE) IN NAV	2 968	(7 594)	338	(845)	2 015	(3 694)	1 391	(2 936)
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	641	2 619	191	592	3 897	4 024	1 637	3 117
Reinvestments of distributions to holders of redeemable units	1 026	1 663	118	181	896	977	153	635
Redemption of redeemable units	(10 884)	(41 278)	(1 466)	(3 679)	(5 593)	(19 468)	(7 084)	(12 416)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(9 217)	(36 996)	(1 157)	(2 906)	(800)	(14 467)	(5 294)	(8 664)
Distributions from net income	(1 110)	(1 768)	(126)	(195)	(935)	(1 015)	(546)	(873)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 110)	(1 768)	(126)	(195)	(935)	(1 015)	(546)	(873)
NET INCREASE (DECREASE) IN NAV	(7 359)	(46 358)	(945)	(3 946)	280	(19 176)	(4 449)	(12 473)
NAV AT END OF PERIOD	\$ 19 233	\$ 26 592	\$ 2 178	\$ 3 123	\$ 15 855	\$ 15 575	\$ 8 108	\$ 12 557

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 26 919	\$ 30 534	\$ 84 766	\$ 170 334
INCREASE (DECREASE) IN NAV	2 630	(4 143)	9 342	(19 212)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	2 335	8 897	8 701	19 249
Reinvestments of distributions to holders of redeemable units	1 073	1 716	3 266	5 172
Redemption of redeemable units	(12 789)	(8 322)	(37 816)	(85 163)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(9 381)	2 291	(25 849)	(60 742)
Distributions from net income	(1 179)	(1 763)	(3 896)	(5 614)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 179)	(1 763)	(3 896)	(5 614)
NET INCREASE (DECREASE) IN NAV	(7 930)	(3 615)	(20 403)	(85 568)
NAV AT END OF PERIOD	\$ 18 989	\$ 26 919	\$ 64 363	\$ 84 766

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide inflation-protected interest income to help investors preserve their real (or inflation-adjusted) purchasing power over the long term.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	84.9	81.2	82.8
AA	5.7	9.7	7.1
A	8.4	8.4	9.7
BBB	1.0	0.7	0.4
Total	100.0	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Federal Bonds	83.2	81.1	73.5
Provincial Bonds	13.8	18.0	14.9
Corporate Bonds	0.9	0.7	0.4
Cash/Other	2.1	0.2	11.2

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	3.3
1 – 5 years	–	–	–
5 – 10 years	7.7	7.6	3.7
> 10 years	92.3	92.4	93.0
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 15.9% (December 31, 2013 – 15.8%, January 1, 2013 – 15.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	62 996	–	62 996
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	62 996	–	62 996
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	84 655	–	84 655
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	84 655	–	84 655
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	151 119	–	151 119
Short-term investments	–	18 728	–	18 728
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	169 847	–	169 847
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

December 31, 2014

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

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

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	53	51
Advisor Series	105	100
Series D	54	51
Series F	55	51
Series O	55	51
Value of all units	4	3

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	22 353
Non-capital losses	–

Unitholders' equity (000s)

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

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	2 597	5 803
Issued number of units	58	220
Reinvested number of units	93	152
Redeemed number of units	(997)	(3 578)
Ending number of units	1 751	2 597
Advisor Series		
Opening units	305	562
Issued number of units	17	49
Reinvested number of units	11	17
Redeemed number of units	(135)	(323)
Ending number of units	198	305
Series D		
Opening units	1 514	2 749
Issued number of units	348	335
Reinvested number of units	81	89
Redeemed number of units	(505)	(1 659)
Ending number of units	1 438	1 514
Series F		
Opening units	1 223	1 982
Issued number of units	150	268
Reinvested number of units	14	58
Redeemed number of units	(650)	(1 085)
Ending number of units	737	1 223
Series O		
Opening units	2 600	2 400
Issued number of units	207	798
Reinvested number of units	97	157
Redeemed number of units	(1 193)	(755)
Ending number of units	1 711	2 600

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	84 649	170 136
Revaluation of investments at FVTPL	117	198
Net assets attributable to holders of redeemable units	84 766	170 334
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(19 131)
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(81)
Increase (decrease) in net assets attributable to holders of redeemable units		(19 212)

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
50 383	Atlantic Power LP	5.950	23-Jun-36	\$ 35 071	\$ 36 402	
11 000	AutoCanada Inc.	5.625	25-May-21	10 974	10 885	
26 006	Baytex Energy Corp. USD	6.750	17-Feb-21	27 866	29 534	
116 256	Baytex Energy Corp.	6.625	19-Jul-22	116 742	109 629	
9 500	Baytex Energy Corp. USD	5.625	01-Jun-24	8 652	9 422	
70 984	Canadian Energy Services & Technology Corp.	7.375	17-Apr-20	71 327	68 588	
4 000	Cogeco Cable Inc. USD	4.875	01-May-20	4 377	4 665	
15 000	Cogeco Inc.	6.000	05-Mar-20	15 000	14 918	
49 900	Corus Entertainment Inc.	4.250	11-Feb-20	48 619	48 241	
19 200	CWB Capital Trust	6.199	31-Dec-56	19 200	20 185	
17 000	DHX Media Ltd.	5.875	02-Dec-21	17 000	17 142	
29 507	GFL Environmental Corp.	7.500	18-Jun-18	30 293	29 052	
60 150	Gibson Energy Inc.	7.000	15-Jul-20	61 691	62 105	
6 925	Gibson Energy Inc. USD	6.750	15-Jul-21	7 969	8 066	
30 097	Gibson Energy Inc.	5.375	15-Jul-22	29 434	28 667	
67 051	Great Canadian Gaming Corp.	6.625	25-Jul-22	68 616	70 680	
5 539	InnVest Real Estate Investment Trust, Convertible	6.750	31-Mar-16	5 407	5 761	
11 155	Iron Mountain Canada Operations ULC	6.125	15-Aug-21	11 426	11 332	
10 000	Island Timberlands LP USD	6.160	30-Aug-25	12 122	14 477	
55 648	Kruger Products LP	8.000	09-Aug-18	56 619	59 010	
40 000	MPL 2 Acquisition Canco Inc. USD	9.875	15-Aug-18	37 438	50 045	
52 960	Newalta Corp.	7.750	14-Nov-19	55 442	54 288	
28 000	Newalta Corp.	5.875	01-Apr-21	27 998	27 008	
45 500	Noralta Lodge Ltd.	7.500	24-Sep-19	45 260	42 088	
9 583	Noranda Operating Trust	6.875	28-Dec-16	9 596	9 723	
13 220	Parkland Fuel Corp.	5.500	28-May-21	13 283	13 137	
30 000	Parkland Fuel Corp.	6.000	21-Nov-22	30 000	29 775	
21 000	Precision Drilling Corp.	6.500	15-Mar-19	20 990	20 003	
3 789	Precision Drilling Corp. USD	6.500	15-Dec-21	3 991	3 775	
23 350	Precision Drilling Corp. USD	5.250	15-Nov-24	21 497	22 516	
80 177	Quebecor Media Inc.	7.375	15-Jan-21	85 524	85 589	
197 200	Quebecor Media Inc.	6.625	15-Jan-23	199 038	204 430	
40 659	Savanna Energy Services Corp.	7.000	25-May-18	41 359	38 491	
1 200	Sherritt International Corp.	7.500	24-Sep-20	1 200	1 146	
33 500	Sherritt International Corp.	7.875	11-Oct-22	31 894	31 630	
19 500	Sirius XM Canada Holdings Inc.	5.625	23-Apr-21	19 486	19 183	
64 190	Superior Plus LP	6.500	09-Dec-21	64 078	63 147	
104 584	Trilogy Energy Corp.	7.250	13-Dec-19	106 639	99 703	
24 040	Trinidad Drilling Ltd. USD	7.875	15-Jan-19	25 757	26 114	
3 500	Vermilion Energy Inc.	6.500	10-Feb-16	3 526	3 517	
13 240	Videotron Ltd. USD	6.375	15-Dec-15	13 546	15 421	
2 862	Videotron Ltd. USD	9.125	15-Apr-18	3 250	3 446	
750	Videotron Ltd.	7.125	15-Jan-20	810	783	
37 423	Videotron Ltd.	6.875	15-Jul-21	40 632	40 190	
33 485	Wajax Corp.	6.125	23-Oct-20	33 589	33 806	
84 565	Western Energy Services Corp.	7.875	30-Jan-19	86 096	81 235	
				1 680 324	1 678 950	47.3
FRANCE BONDS						
52 130	Numericable Group S.A. USD	4.875	15-May-19	57 722	60 262	
37 000	Numericable Group S.A. USD	6.000	15-May-22	40 770	43 277	
				98 492	103 539	2.9

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

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
GERMANY BONDS						
10 000	Schaeffler Holding Finance BV USD	6.250	15-Nov-19	\$ 11 226	\$ 12 025	
				11 226	12 025	0.3
LUXEMBOURG BONDS						
9 000	Altice S.A. USD	7.750	15-May-22	10 059	10 502	
25 000	Intelsat Jackson Holdings S.A. USD	7.250	15-Oct-20	28 687	30 751	
				38 746	41 253	1.2
UNITED STATES BONDS						
120 000	CCO Holdings LLC	7.000	15-Jan-19	132 806	144 993	
56 000	CCO Holdings LLC	8.125	30-Apr-20	65 021	68 639	
18 152	CCO Holdings LLC	7.375	01-Jun-20	20 629	22 407	
18 656	CDW LLC	8.500	01-Apr-19	22 745	22 948	
23 000	Chrysler Group LLC	8.000	15-Jun-19	27 609	28 224	
49 836	Chrysler Group LLC	8.250	15-Jun-21	60 718	64 413	
10 000	Deluxe Corp.	6.000	15-Nov-20	11 318	12 039	
78 158	EP Energy LLC	6.875	01-May-19	86 114	92 620	
51 000	HCA Holdings Inc.	7.750	15-May-21	61 865	63 473	
16 373	Oshkosh Corp.	8.500	01-Mar-20	19 933	20 021	
123 590	Reynolds Group Issuer Inc.	7.125	15-Apr-19	137 660	148 792	
59 087	Reynolds Group Issuer Inc.	7.875	15-Aug-19	70 403	72 509	
57 890	Reynolds Group Issuer Inc.	6.875	15-Feb-21	63 557	70 535	
5 000	Sabine Pass LNG LP	7.500	30-Nov-16	5 945	6 070	
24 851	Sabine Pass LNG LP	6.500	01-Nov-20	25 410	29 305	
27 865	Sprint Corp.	7.250	15-Sep-21	32 304	32 252	
50 500	Sprint Corp.	7.875	15-Sep-23	58 632	58 213	
52 300	Sprint Nextel Corp.	7.000	15-Aug-20	60 567	61 066	
36 500	T-Mobile USA Inc.	6.464	28-Apr-19	41 707	44 208	
10 882	T-Mobile USA Inc.	6.542	28-Apr-20	12 042	13 101	
26 662	T-Mobile USA Inc.	6.250	01-Apr-21	28 632	31 820	
20 755	T-Mobile USA Inc.	6.633	28-Apr-21	22 316	24 837	
6 000	T-Mobile USA Inc.	6.731	28-Apr-22	7 036	7 206	
54 500	T-Mobile USA Inc.	6.625	01-Apr-23	57 755	65 154	
27 112	The Hertz Corp.	6.750	15-Apr-19	31 314	32 601	
61 695	The Howard Hughes Corp.	6.875	01-Oct-21	66 745	74 544	
17 500	Time Inc.	5.750	15-Apr-22	19 111	19 721	
2 000	Wells Enterprises Inc.	6.750	01-Feb-20	1 968	2 387	
				1 251 862	1 334 098	37.6
TOTAL BONDS				3 080 650	3 169 865	89.3
SHORT-TERM INVESTMENTS*				57 812	57 812	1.7
TOTAL INVESTMENTS				3 138 462	3 227 677	91.0
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	365	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	(41 547)	(1.2)
TOTAL PORTFOLIO				\$ 3 138 462	3 186 495	89.8
CASH					293 640	8.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					68 596	1.9
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 3 548 731	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.16% to 1.23% and mature between January 2, 2015 and January 30, 2015.

December 31, 2014

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 11 659 Sold USD 10 000 @ 1.1659	17-Mar-15	\$ 21
Bought CAD 110 896 Sold USD 95 000 @ 1.1673	17-Mar-15	344
		<u>\$ 365</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 19 624 Sold USD 17 400 @ 1.1278	20-Jan-15	\$ (598)
Bought CAD 194 717 Sold USD 173 000 @ 1.1255	22-Jan-15	(6 361)
Bought CAD 45 061 Sold USD 40 000 @ 1.1265	28-Jan-15	(1 438)
Bought CAD 262 446 Sold USD 230 000 @ 1.1411	06-Feb-15	(4 980)
Bought CAD 80 150 Sold USD 70 000 @ 1.1450	09-Feb-15	(1 246)
Bought CAD 28 373 Sold USD 25 000 @ 1.1349	12-Feb-15	(699)
Bought CAD 193 286 Sold USD 170 000 @ 1.1370	20-Feb-15	(4 436)
Bought CAD 260 641 Sold USD 230 000 @ 1.1332	23-Feb-15	(6 882)
Bought CAD 67 565 Sold USD 60 000 @ 1.1261	27-Feb-15	(2 229)
Bought CAD 262 766 Sold USD 230 000 @ 1.1425	03-Mar-15	(4 804)
Bought CAD 221 979 Sold USD 195 000 @ 1.1384	04-Mar-15	(4 878)
Bought CAD 253 029 Sold USD 220 000 @ 1.1501	11-Mar-15	(2 955)
Bought USD 50 000 Sold CAD 58 227 @ 0.8587	17-Mar-15	(41)
		<u>\$ (41 547)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (41 182)</u>

All counterparties have a credit rating of at least A.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 3 227 677	\$ 3 224 436	\$ 3 168 677
Cash	293 640	33 704	84 150
Due from investment dealers	14 752	–	7 595
Subscriptions receivable	3 352	1 893	1 517
Unrealized gain on foreign exchange contracts	365	1 991	4 660
Dividends receivable, interest accrued and other assets	53 937	40 950	40 363
TOTAL ASSETS	3 593 723	3 302 974	3 306 962
LIABILITIES			
Redemptions payable	1 932	1 547	2 119
Unrealized loss on foreign exchange contracts	41 547	11 043	2 320
Accounts payable and accrued expenses	1 513	1 263	1 470
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	44 992	13 853	5 909
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 3 548 731	\$ 3 289 121	\$ 3 301 053
Investments at cost	\$ 3 138 462	\$ 3 119 153	\$ 3 058 217
NAV			
SERIES C	\$ 390 812	\$ 404 326	\$ 468 240
ADVISOR SERIES	\$ 57 002	\$ 13 651	\$ 14 352
SERIES D	\$ 701 096	\$ 665 058	\$ 773 936
SERIES F	\$ 395 716	\$ 266 739	\$ 335 285
SERIES O	\$ 2 004 105	\$ 1 939 347	\$ 1 709 240
NAV PER UNIT			
SERIES C	\$ 11.97	\$ 12.18	\$ 12.22
ADVISOR SERIES	\$ 11.97	\$ 12.18	\$ 12.22
SERIES D	\$ 11.84	\$ 12.06	\$ 12.11
SERIES F	\$ 11.91	\$ 12.12	\$ 12.17
SERIES O	\$ 11.43	\$ 11.64	\$ 11.69

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 221 198	\$ 203 209
Net realized gain (loss) on investments	106 598	79 240
Net gain (loss) on foreign currencies and other net assets	(122 923)	(74 865)
Change in unrealized gain (loss) on investments	(48 198)	(16 569)
TOTAL INCOME (LOSS)	156 675	191 015
EXPENSES (see notes – Fund Specific Information)		
Management fees	12 369	13 267
Administration fees	1 283	1 283
Board of Governors costs	3	3
GST/HST	1 347	1 503
TOTAL EXPENSES	15 002	16 056
INCREASE (DECREASE) IN NAV	\$ 141 673	\$ 174 959
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 13 015	\$ 19 155
ADVISOR SERIES	\$ 31	\$ 614
SERIES D	\$ 26 215	\$ 34 196
SERIES F	\$ 8 985	\$ 14 585
SERIES O	\$ 93 427	\$ 106 409
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.39	\$ 0.54
ADVISOR SERIES	\$ 0.39	\$ 0.44
SERIES D	\$ 0.45	\$ 0.60
SERIES F	\$ 0.46	\$ 0.60
SERIES O	\$ 0.55	\$ 0.68

Statements of Cash Flow (in \$000s)For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 141 673	\$ 174 959
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(106 598)	(79 240)
Change in unrealized loss (gain) on investments	48 198	16 569
(Increase) decrease in accrued receivables	(27 739)	7 008
Increase (decrease) in accrued payables	250	(207)
Cost of investments purchased	(5 775 822)	(8 862 054)
Proceeds on sales of investments	5 863 111	8 880 358
NET CASH PROVIDED BY OPERATING ACTIVITIES	143 073	137 393
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 021 792	630 646
Cash paid on redemption of redeemable units	(846 234)	(767 922)
Distributions paid to holders of redeemable units	(58 695)	(50 563)
NET CASH USED IN FINANCING ACTIVITIES	\$ 116 863	\$ (187 839)
Net increase (decrease) in cash for the year	259 936	(50 446)
Cash (bank overdraft), beginning of period	33 704	84 150
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 293 640	\$ 33 704
Interest received	\$ 208 211	\$ 202 622
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 404 326	\$ 468 240	\$ 13 651	\$ 14 352	\$ 665 058	\$ 773 936	\$ 266 739	\$ 335 285
INCREASE (DECREASE) IN NAV	13 015	19 155	31	614	26 215	34 196	8 985	14 585
Early redemption fees	—	—	—	—	2	—	—	—
Proceeds from redeemable units issued	72 781	37 058	47 320	2 995	135 449	115 209	187 929	36 748
Reinvestments of distributions to holders of redeemable units	16 054	17 388	1 021	411	35 556	33 318	12 041	11 363
Redemption of redeemable units	(96 211)	(117 061)	(3 681)	(4 054)	(122 325)	(254 853)	(63 250)	(115 927)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(7 376)	(62 615)	44 660	(648)	48 682	(106 326)	136 720	(67 816)
Distributions from net income	(19 153)	(20 454)	(1 340)	(667)	(38 859)	(36 748)	(16 728)	(15 315)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(19 153)	(20 454)	(1 340)	(667)	(38 859)	(36 748)	(16 728)	(15 315)
NET INCREASE (DECREASE) IN NAV	(13 514)	(63 914)	43 351	(701)	36 038	(108 878)	128 977	(68 546)
NAV AT END OF PERIOD	\$ 390 812	\$ 404 326	\$ 57 002	\$ 13 651	\$ 701 096	\$ 665 058	\$ 395 716	\$ 266 739

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 939 347	\$ 1 709 240	\$ 3 289 121	\$ 3 301 053
INCREASE (DECREASE) IN NAV	93 427	106 409	141 673	174 959
Early redemption fees	—	—	2	—
Proceeds from redeemable units issued	579 772	439 012	1 023 251	631 022
Reinvestments of distributions to holders of redeemable units	81 845	74 169	146 517	136 649
Redemption of redeemable units	(561 154)	(275 455)	(846 621)	(767 350)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	100 463	237 726	323 149	321
Distributions from net income	(129 132)	(114 028)	(205 212)	(187 212)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(129 132)	(114 028)	(205 212)	(187 212)
NET INCREASE (DECREASE) IN NAV	64 758	230 107	259 610	(11 932)
NAV AT END OF PERIOD	\$ 2 004 105	\$ 1 939 347	\$ 3 548 731	\$ 3 289 121

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

December 31, 2014

The Fund was initially closed to new investors effective November 26, 2010, reopened October 14, 2014 and closed again November 26, 2014. Existing investors who hold units of the Fund can continue to make additional investments into the Fund. In addition, RBC GAM may maintain capacity for certain investors, including other related funds, that may invest in the Fund.

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with a high level of income and the opportunity for capital appreciation by investing primarily in medium quality Canadian and/or foreign corporate bonds, convertible bonds, preferred shares and government bonds issued or traded in Canadian and U.S. dollars.

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

Credit risk (%)

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

Rating	December 31 2014	December 31 2013	January 1 2013
A	0.6	2.5	9.2
BBB	0.5	11.1	24.5
BB	31.2	32.7	26.4
B	67.0	52.9	32.1
Unrated*	0.7	0.8	7.8
Total	100.0	100.0	100.0

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Corporate Bonds	88.2	90.3	94.3
Federal Bonds	0.8	0.9	–
Cash/Other	11.0	8.8	5.7

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	0.8	0.9	8.2
1 – 5 years	37.7	26.3	46.1
5 – 10 years	59.2	69.3	38.3
> 10 years	2.3	3.5	7.4
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 3.0% (December 31, 2013 – 3.5%, January 1, 2013 – 3.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	3 169 865	–	3 169 865
Short-term investments	–	57 812	–	57 812
Derivatives – assets	–	365	–	365
Derivatives – liabilities	–	(41 547)	–	(41 547)
Total financial instruments	–	3 186 495	–	3 186 495
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 998 602	–	2 998 602
Short-term investments	–	225 834	–	225 834
Derivatives – assets	–	1 991	–	1 991
Derivatives – liabilities	–	(11 043)	–	(11 043)
Total financial instruments	–	3 215 384	–	3 215 384
% of total portfolio	–	100.0	–	100.0

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

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	3 112 297	–	3 112 297
Short-term investments	–	56 380	–	56 380
Derivatives – assets	–	4 660	–	4 660
Derivatives – liabilities	–	(2 320)	–	(2 320)
Total financial instruments	–	3 171 017	–	3 171 017
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	52	50
Advisor Series	104	99
Series D	54	51
Series F	54	51
Value of all units	3	3

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	30 923
Non-capital losses	–

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	33 203	38 311
Issued number of units	5 921	3 016
Reinvested number of units	1 319	1 431
Redeemed number of units	(7 800)	(9 555)
Ending number of units	32 643	33 203
Advisor Series		
Opening units	1 121	1 174
Issued number of units	3 854	244
Reinvested number of units	85	34
Redeemed number of units	(299)	(331)
Ending number of units	4 761	1 121
Series D		
Opening units	55 152	63 913
Issued number of units	11 115	9 471
Reinvested number of units	2 952	2 770
Redeemed number of units	(10 025)	(21 002)
Ending number of units	59 194	55 152

December 31, 2014

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	22 003	27 545
Issued number of units	15 373	3 008
Reinvested number of units	997	940
Redeemed number of units	(5 144)	(9 490)
Ending number of units	33 229	22 003
Series O		
Opening units	166 580	146 173
Issued number of units	49 232	37 387
Reinvested number of units	7 036	6 390
Redeemed number of units	(47 487)	(23 370)
Ending number of units	175 361	166 580

Investments by other related investment funds (%)
(see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
Phillips, Hager & North Total Return Bond Fund	1.8	3.4
Phillips, Hager & North Total Return Bond Trust	–	0.3
Phillips, Hager & North Enhanced Total Return Bond Fund	0.4	1.0
Phillips, Hager & North Monthly Income Fund	3.4	3.5
Phillips, Hager & North PRisM Balanced Fund	1.3	0.9
RBC Select Choices Balanced Portfolio	0.4	0.4
RBC Select Choices Growth Portfolio	0.3	0.3
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	–	–
Total	7.6	9.8

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	3 278 681	3 291 222
Revaluation of investments at FVTPL	10 440	9 831
Net assets attributable to holders of redeemable units	3 289 121	3 301 053
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		174 350
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		609
Increase (decrease) in net assets attributable to holders of redeemable units		174 959

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH SHORT INFLATION-LINKED BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
1 269	Government of Canada	4.250	01-Dec-21	\$ 1 681	\$ 1 635	
TOTAL INVESTMENTS				<u>\$ 1 681</u>	<u>1 635</u>	97.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>51</u>	3.0
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>\$ 1 686</u>	100.0

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

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

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 1 635	\$ 825	\$ 458
Cash	22	7	23
Subscriptions receivable	25	2	3
Dividends receivable, interest accrued and other assets	5	3	1
TOTAL ASSETS	1 687	837	485
LIABILITIES			
Due to investment dealers	–	–	17
Redemptions payable	–	1	–
Distributions payable	1	–	–
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1	1	17
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 686	\$ 836	\$ 468
Investments at cost	\$ 1 681	\$ 885	\$ 448
NAV			
SERIES 0	\$ 1 686	\$ 836	\$ 468
NAV PER UNIT			
SERIES 0	\$ 9.97	\$ 9.74	\$ 10.72

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 70	\$ 28
Net realized gain (loss) on investments	(5)	(3)
Change in unrealized gain (loss) on investments	14	(70)
TOTAL INCOME (LOSS)	79	(45)
EXPENSES (see notes – Fund Specific Information)		
Administration fees	2	–
Board of Governors costs	3	3
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	2	–
INCREASE (DECREASE) IN NAV	\$ 77	\$ (45)
INCREASE (DECREASE) IN NAV		
SERIES O	\$ 77	\$ (45)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES O	\$ 0.55	\$ (0.68)

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 77	\$ (45)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	5	3
Change in unrealized loss (gain) on investments	(14)	70
(Increase) decrease in accrued receivables	(2)	(2)
Increase (decrease) in accrued payables	–	(17)
Cost of investments purchased	(1 104)	(504)
Proceeds on sales of investments	303	64
NET CASH PROVIDED BY OPERATING ACTIVITIES	(735)	(431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	982	526
Cash paid on redemption of redeemable units	(232)	(111)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 750	\$ 415
Net increase (decrease) in cash for the year	15	(16)
Cash (bank overdraft), beginning of period	7	23
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 22	\$ 7
Interest received	\$ 67	\$ 27
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND
Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)*	Series 0	
	2014	2013
EQUITY/NAV AT BEGINNING OF PERIOD	\$ 836	\$ 468
INCREASE (DECREASE) IN NAV	77	(45)
Early redemption fees	–	–
Proceeds from redeemable units issued	1 005	525
Reinvestments of distributions to holders of redeemable units	69	28
Redemption of redeemable units	(231)	(112)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	843	441
Distributions from net income	(70)	(28)
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(70)	(28)
NET INCREASE (DECREASE) IN NAV	850	368
NAV AT END OF PERIOD	\$ 1 686	\$ 836

* The Fund's units meet all of the criteria in IFRS for classification as equity, and therefore continued to be classified as financial equity, similar to Canadian GAAP, as of January 1, 2013. During 2013, certain new series of units were introduced which had different features to the existing series of units. As a result, the Fund was no longer able to meet the IAS 32 requirements for classification of its units as equity, and the units were classified as financial liabilities as of December 31, 2013. The change in classification has not resulted in any contractual change in relationship with the unitholders, nor has it resulted in any change in the net asset value per unit. The above Statements of Changes in NAV presents the Fund's units as if they were financial liabilities for the entire 2013 year. The Fund's equity during the 2013 year comprised both retained earnings and unitholders' capital and has been presented together. Management believes the absence of separating retained earnings and unitholders' capital would not provide materially different information.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide interest income that is hedged against inflation by investing in shorter-term real return bonds and inflation-linked bonds issued by Canadian and foreign governments and corporations.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	100.0	100.0	100.0
Total	100.0	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Federal Bonds	97.0	98.6	–
Corporate Bonds	–	–	97.7
Cash/Other	3.0	1.4	2.3

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	–
1 – 5 years	–	–	–
5 – 10 years	100.0	100.0	100.0
> 10 years	–	–	–
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 5.9% (December 31, 2013 – 6.8%, January 1, 2013 – 7.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	1 635	–	1 635
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 635	–	1 635
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	825	–	825
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	825	–	825
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	458	–	458
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	458	–	458
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND

December 31, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of Series O of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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Investments by related parties (\$000s except unit amounts)

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

	December 31 2014	December 31 2013
Units held		
Series O	17 528	16 799
Value of all units	175	164

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	2
Non-capital losses	–

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series O		
Opening units	86	44
Issued number of units	99	50
Reinvested number of units	7	3
Redeemed number of units	(23)	(11)
Ending number of units	169	86

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
Phillips, Hager & North LifeTime 2015 Fund	65.8	53.6
Phillips, Hager & North LifeTime 2020 Fund	23.9	26.8
Total	89.7	80.4

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	835	468
Revaluation of investments at FVTPL	1	–
Net assets attributable to holders of redeemable units	836	468
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(46)
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		1
Increase (decrease) in net assets attributable to holders of redeemable units		(45)

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
26 753	Government of Canada	1.500	01-Dec-44	\$ 31 875	\$ 32 987	95.7
SHORT-TERM INVESTMENTS*				349	349	1.0
TOTAL INVESTMENTS				<u>\$ 32 224</u>	<u>33 336</u>	<u>96.7</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					1 118	3.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>\$ 34 454</u>	<u>100.0</u>

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.90% to 0.95% and mature between January 8, 2015 and April 9, 2015.

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

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 33 336	\$ 18 726	\$ 9 318
Cash	13	34	30
Subscriptions receivable	1 100	296	213
Dividends receivable, interest accrued and other assets	34	23	8
TOTAL ASSETS	34 483	19 079	9 569
LIABILITIES			
Due to investment dealers	–	–	352
Redemptions payable	–	30	11
Distributions payable	29	–	–
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	29	30	363
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 34 454	\$ 19 049	\$ 9 206
Investments at cost	\$ 32 224	\$ 21 306	\$ 8 877
NAV			
SERIES 0	\$ 34 454	\$ 19 049	\$ 9 206
NAV PER UNIT			
SERIES 0	\$ 11.63	\$ 9.91	\$ 12.31

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 843	\$ 270
Net realized gain (loss) on investments	33	(57)
Change in unrealized gain (loss) on investments	3 692	(3 021)
TOTAL INCOME (LOSS)	4 568	(2 808)
EXPENSES (see notes – Fund Specific Information)		
Administration fees	6	4
Board of Governors costs	3	3
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	6	4
INCREASE (DECREASE) IN NAV	\$ 4 562	\$ (2 812)
INCREASE (DECREASE) IN NAV		
SERIES O	\$ 4 562	\$ (2 812)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES O	\$ 1.93	\$ (2.11)

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 4 562	\$ (2 812)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(33)	57
Change in unrealized loss (gain) on investments	(3 692)	3 021
(Increase) decrease in accrued receivables	(11)	(15)
Increase (decrease) in accrued payables	–	(352)
Cost of investments purchased	(19 952)	(27 590)
Proceeds on sales of investments	9 067	15 104
NET CASH PROVIDED BY OPERATING ACTIVITIES	(10 059)	(12 587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	14 273	14 310
Cash paid on redemption of redeemable units	(4 235)	(1 719)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 10 038	\$ 12 591
Net increase (decrease) in cash for the year	(21)	4
Cash (bank overdraft), beginning of period	34	30
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 13	\$ 34
Interest received	\$ 831	\$ 256
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)*	Series 0	
	2014	2013
EQUITY/NAV AT BEGINNING OF PERIOD	\$ 19 049	\$ 9 206
INCREASE (DECREASE) IN NAV	4 562	(2 812)
Early redemption fees	—	—
Proceeds from redeemable units issued	15 077	14 393
Reinvestments of distributions to holders of redeemable units	873	282
Redemption of redeemable units	(4 205)	(1 738)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	11 745	12 937
Distributions from net income	(853)	(282)
Distributions from net gains	(49)	—
Distributions from capital	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(902)	(282)
NET INCREASE (DECREASE) IN NAV	15 405	9 843
NAV AT END OF PERIOD	\$ 34 454	\$ 19 049

* The Fund's units meet all of the criteria in IFRS for classification as equity, and therefore continued to be classified as financial equity, similar to Canadian GAAP, as of January 1, 2013. During 2013, certain new series of units were introduced which had different features to the existing series of units. As a result, the Fund was no longer able to meet the IAS 32 requirements for classification of its units as equity, and the units were classified as financial liabilities as of December 31, 2013. The change in classification has not resulted in any contractual change in relationship with the unitholders, nor has it resulted in any change in the net asset value per unit. The above Statements of Changes in NAV presents the Fund's units as if they were financial liabilities for the entire 2013 year. The Fund's equity during the 2013 year comprised both retained earnings and unitholders' capital and has been presented together. Management believes the absence of separating retained earnings and unitholders' capital would not provide materially different information.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide interest income that is hedged against inflation by investing primarily in longer-term real-return bonds and inflation-linked bonds issued by Canadian and foreign governments and corporations.

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

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

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	100.0	100.0	100.0
Total	100.0	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Federal Bonds	95.7	97.9	–
Corporate Bonds	–	–	99.3
Cash/Other	4.3	2.1	0.7

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	2.3
1 – 5 years	–	–	–
5 – 10 years	–	–	–
> 10 years	100.0	100.0	97.7
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 23.5% (December 31, 2013 – 24.0%, January 1, 2013 – 25.8%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	32 987	–	32 987
Short-term investments	–	349	–	349
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	33 336	–	33 336
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	18 676	–	18 676
Short-term investments	–	50	–	50
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	18 726	–	18 726
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	9 118	–	9 118
Short-term investments	–	200	–	200
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	9 318	–	9 318
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

December 31, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of Series O of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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Investments by related parties (\$000s except unit amounts)

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

	December 31 2014	December 31 2013
Units held		
Series O	16 533	16 101
Value of all units	192	160

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

	2014	2013
For the periods ended December 31 (see note 2 in the generic notes)		
Series O		
Opening units	1 921	747
Issued number of units	1 348	1 308
Reinvested number of units	75	28
Redeemed number of units	(380)	(162)
Ending number of units	2 964	1 921

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
Phillips, Hager & North LifeTime 2015 Fund	3.3	5.5
Phillips, Hager & North LifeTime 2020 Fund	12.8	14.2
Phillips, Hager & North LifeTime 2025 Fund	18.4	18.5
Phillips, Hager & North LifeTime 2030 Fund	16.0	16.5
Phillips, Hager & North LifeTime 2035 Fund	18.0	17.9
Phillips, Hager & North LifeTime 2040 Fund	13.5	12.4
Phillips, Hager & North LifeTime 2045 Fund	17.4	14.1
Phillips, Hager & North LifeTime 2050 Fund	0.1	–
Total	99.5	99.1

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	19 015	9 192
Revaluation of investments at FVTPL	34	14
Net assets attributable to holders of redeemable units	19 049	9 206
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(2 832)
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		20
Increase (decrease) in net assets attributable to holders of redeemable units		(2 812)

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES					PREFERRED EQUITIES (cont.)				
211 900	Bank of Montreal, Preferred Series 14, 5.250%	\$ 5 524	\$ 5 524		75 300	Enbridge Inc., Preferred Series B, 4.000%	\$ 1 865	\$ 1 754	
167 700	Bank of Montreal, Preferred Series 15, 5.800%	4 375	4 442		79 400	Enbridge Inc., Preferred Series D, 4.000%	1 964	1 869	
45 200	Bank of Montreal, Preferred Series 16, 5.200%	1 125	1 155		92 900	Enbridge Inc., Preferred Series F, 4.000%	2 316	2 217	
165 300	Bank of Montreal, Preferred Series 27, 4.000%	4 133	4 225		132 500	Enbridge Inc., Preferred Series H, 4.000%	3 162	2 826	
50 000	Bank of Montreal, Preferred Series 29, 3.900%	1 273	1 263		4 900	Enbridge Inc., Preferred Series N, 4.000%	123	118	
131 600	Bank of Nova Scotia, Preferred Series 14, 4.500%	3 269	3 428		24 000	Enbridge Inc., Preferred Series P, 4.000%	589	567	
231 600	Bank of Nova Scotia, Preferred Series 15, 4.500%	5 924	6 047		153 700	Enbridge Inc., Preferred Series R, 4.000%	3 729	3 617	
60 600	Bank of Nova Scotia, Preferred Series 16, 5.250%	1 553	1 588		11 400	Fortis Inc., Preferred Series E, 4.900%	295	294	
61 100	Bank of Nova Scotia, Preferred Series 17, 5.600%	1 592	1 608		25 000	Fortis Inc., Preferred Series G, 5.250%	618	635	
102 300	Bank of Nova Scotia, Preferred Series 20, 5.000%	2 584	2 620		97 800	Fortis Inc., Preferred Series H, 4.900%	2 041	1 881	
130 700	Bank of Nova Scotia, Preferred Series 22, 5.000%	3 315	3 371		96 200	Fortis Inc., Preferred Series J, 4.750%	2 299	2 394	
40 000	Brookfield Asset Management Inc., Preferred Series 2, 2.100%	699	680		220 800	Fortis Inc., Preferred Series M, 4.100%	5 523	5 655	
65 000	Brookfield Asset Management Inc., Preferred Series 32, 4.500%	1 633	1 678		123 700	Great-West Lifeco Inc., Preferred Series G, 5.200%	2 834	3 140	
48 300	Brookfield Asset Management Inc., Preferred Series 37, 4.900%	910	1 065		96 800	Great-West Lifeco Inc., Preferred Series M, 5.800%	2 441	2 546	
82 900	Brookfield Asset Management Inc., Preferred Series 40, 4.500%	2 073	2 117		169 700	Great-West Lifeco Inc., Preferred Series N, 3.650%	3 638	3 598	
139 000	Brookfield Asset Management Inc., Preferred Series 42, 4.500%	3 475	3 570		72 600	Great-West Lifeco Inc., Preferred Series P, 5.400%	1 815	1 891	
71 400	Canadian Imperial Bank of Commerce, Preferred Series 29, 5.400%	1 707	1 808		21 700	Great-West Lifeco Inc., Preferred Series Q, 5.150%	536	549	
110 900	Canadian Imperial Bank of Commerce, Preferred Series 39, 3.900%	2 772	2 821		44 900	Great-West Lifeco Inc., Preferred Series S, 5.250%	1 123	1 161	
116 600	Canadian Imperial Bank of Commerce, Preferred Series 41, 3.750%	2 902	2 907		45 000	Husky Energy Inc., Preferred Series 1, 4.450%	883	977	
113 200	Canadian Utilities Ltd., Preferred Series CC, 4.500%	2 515	2 566		31 200	Manulife Financial Corporation, Preferred Series 2, 4.650%	731	765	
207 700	Canadian Utilities Ltd., Preferred Series DD, 4.500%	4 629	4 686		113 100	Manulife Financial Corporation, Preferred Series 19, 3.800%	2 828	2 830	
15 600	CU Inc., Preferred Series 4, 3.800%	338	307		284 000	National Bank of Canada, Preferred Series 32, 3.900%	7 100	7 180	
279 300	Enbridge Inc., Preferred Series 3, 4.000%	6 795	6 332		19 000	Power Financial Corp., Preferred Series T, 4.200%	475	505	
41 600	Enbridge Inc., Preferred Series 7, 4.400%	1 040	1 026		108 900	Royal Bank of Canada, Preferred Series AA, 4.450%*	2 691	2 780	
70 900	Enbridge Inc., Preferred Series 11, 4.400%	1 773	1 748		107 400	Royal Bank of Canada, Preferred Series AC, 4.600%*	2 602	2 745	
					36 000	Royal Bank of Canada, Preferred Series AD, 4.500%*	862	927	

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

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES (cont.)				
40 000	Royal Bank of Canada, Preferred Series AG, 4.500%*	\$ 1 009	\$ 1 029	
146 100	Royal Bank of Canada, Preferred Series AJ, 5.000%*	3 682	3 761	
40 400	Sun Life Financial Inc., Preferred Series 1, 4.750%	900	1 010	
92 300	Sun Life Financial Inc., Preferred Series 3, 4.450%	1 950	2 207	
58 900	Sun Life Financial Inc., Preferred Series 4, 4.450%	1 251	1 407	
51 100	Sun Life Financial Inc., Preferred Series 5, 4.500%	1 076	1 224	
30 000	Sun Life Financial Inc., Preferred Series 8R, 4.350%	646	651	
229 000	Toronto-Dominion Bank, Preferred Series 1, 3.900%	5 734	5 842	
124 400	Toronto-Dominion Bank, Preferred Series 3, 3.800%	3 110	3 170	
70 100	Toronto-Dominion Bank, Preferred Series 5, 3.750%	1 753	1 751	
71 500	Toronto-Dominion Bank, Preferred Series P, 5.250%	1 870	1 880	
113 100	Toronto-Dominion Bank, Preferred Series Q, 5.600%	2 985	2 972	
30 000	Toronto-Dominion Bank, Preferred Series R, 5.600%	795	792	
134 400	Toronto-Dominion Bank, Preferred Series S, 5.000%	3 355	3 438	
91 100	Toronto-Dominion Bank, Preferred Series Y, 5.100%	2 290	2 349	
133 600	TransCanada Corp., Preferred Series 1, 4.600%	3 030	2 832	
251 600	TransCanada Corp., Preferred Series 3, 4.000%	4 990	4 509	
78 900	TransCanada Corp., Preferred Series 5, 4.400%	1 767	1 699	
29 400	TransCanada Corp., Preferred Series 7, 4.000%	736	743	
170 400	TransCanada Corp., Preferred Series 9, 4.250%	4 260	4 333	
TOTAL PREFERRED EQUITIES		170 200	171 602	5.0
COMMON EQUITIES				
Consumer Discretionary				
387 800	Cineplex Inc.	14 403	17 385	
188 000	Dollarama Inc.	9 208	11 167	
145 100	Linamar Corp.	3 978	10 295	
77 600	Magna International Inc., Class A	9 265	9 769	
386 200	Restaurant Brands International Inc.	17 172	17 572	
257 900	Thomson Corp.	9 851	12 088	
		63 877	78 276	2.3
Consumer Staples				
283 500	Alimentation Couche-Tard Inc.	7 062	13 804	
60 100	Empire Co. Ltd., Class A	4 254	5 266	
163 700	Loblaws Companies Ltd.	7 496	10 177	
364 100	Saputo Group Inc.	12 051	12 714	
		30 863	41 961	1.2

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy				
1 020 350	ARC Resources Ltd.	\$ 28 398	\$ 25 672	
917 400	Calfrac Well Services Ltd.	13 357	9 183	
627 400	Canadian Natural Resources Ltd.	23 857	22 536	
1 224 800	Cenovus Energy Inc.	32 813	29 358	
819 200	Crescent Point Energy Corp.	33 175	22 045	
968 080	Enbridge Inc.	45 734	57 833	
1 101 900	Encana Corp.	23 773	17 818	
227 500	Keyera Corp.	16 952	18 443	
1 516 300	Northern Blizzard Resources Inc.	23 726	11 994	
333 400	PrairieSky Royalty Ltd.	10 599	10 202	
1 699 900	Precision Drilling Corp.	16 541	12 001	
376 200	Suncor Energy Inc.	14 838	13 882	
124 800	Tourmaline Oil Corp.	5 330	4 830	
818 700	TransCanada Corp.	41 585	46 748	
1 912 800	Trilogy Energy Corp.	39 061	15 130	
3 607 400	Trinidad Drilling Ltd.	32 980	18 758	
		402 719	336 433	9.7
Financials				
757 300	Bank of Montreal	62 468	62 235	
1 694 600	Bank of Nova Scotia	106 254	112 369	
1 068 300	Brookfield Asset Management Inc., Class A	54 936	62 196	
149 300	Brookfield Property Partners LP	3 596	3 949	
698 800	Canadian Imperial Bank of Commerce	70 561	69 768	
432 770	Canadian Real Estate Investment Trust	19 733	19 817	
1 088 000	CI Financial Corp.	35 179	35 132	
1 624 900	Cominar Real Estate Investment Trust	29 260	30 239	
2 712 571	Crombie Real Estate Investment Trust	33 795	35 046	
697 400	Industrial Alliance Insurance & Financial Services Inc.	28 726	30 985	
2 392 100	Manulife Financial Corporation	48 139	53 057	
548 000	Manulife Financial Corporation, Subscription Receipts	11 782	12 133	
426 900	Power Corporation of Canada	12 229	13 558	
7 295 400	Pure Industrial Real Estate Investment Trust	31 596	32 392	
1 685 810	Royal Bank of Canada*	113 856	135 269	
530 600	Sun Life Financial Inc.	22 381	22 243	
2 196 100	Toronto-Dominion Bank	106 063	121 906	
		790 554	852 294	24.7
Industrials				
821 500	Canadian National Railway Co.	62 903	65 736	
1 464 700	Finnish International Inc.	40 639	36 954	
719 200	SNC-Lavalin Group Inc.	35 093	31 868	
545 200	Torontom Industries Ltd.	13 119	15 544	
		151 754	150 102	4.3
Information Technology				
222 492	Open Text Corp.	13 052	15 043	
		13 052	15 043	0.4

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
1 098 800	Agnico Eagle Mines Ltd.	\$ 34 063	\$ 31 777	
242 300	Agrium Inc.	24 527	26 653	
2 353 300	Eldorado Gold Corp.	15 974	16 661	
1 102 000	Goldcorp Inc.	26 114	23 704	
		100 678	98 795	2.9
Telecommunication Services				
800 980	Rogers Communications Inc., Class B	34 454	36 180	
840 100	TELUS Corp.	32 294	35 192	
		66 748	71 372	2.1
Utilities				
354 450	Brookfield Infrastructure Partners LP	13 826	17 244	
392 710	Brookfield Renewable Energy Partners LP	11 826	14 098	
426 400	Canadian Utilities Ltd., Class A	16 234	17 444	
779 100	Fortis Inc.	28 016	30 354	
770 900	Pattern Energy Group Inc.	22 615	21 616	
		92 517	100 756	2.9
TOTAL COMMON EQUITIES		1 712 762	1 745 032	50.5

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
10 685 551	Phillips, Hager & North High Yield Bond Fund*	\$ 124 479	\$ 122 120	
18 659 502	RBC High Yield Bond Fund*	199 804	198 953	
TOTAL MUTUAL FUND UNITS		324 283	321 073	9.3

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIA BONDS						
1 620	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 1 620	\$ 1 669	
TOTAL AUSTRALIA BONDS				1 620	1 669	—
CANADIAN BONDS						
CORPORATE						
355	407 International Inc.	3.880	16-Jun-15	364	359	
469	407 International Inc.	3.980	11-Sep-52	447	479	
413	Access Justice Durham Ltd.	5.015	31-Aug-39	454	470	
665	Alliance Pipeline LP	4.928	16-Dec-19	718	723	
2 913	Alliance Pipeline LP	7.181	30-Jun-23	3 485	3 455	
710	Alliance Pipeline LP	5.546	31-Dec-23	787	782	
2 857	Alliance Pipeline LP	6.765	31-Dec-25	3 396	3 376	
1 835	Alliance Pipeline LP	7.217	31-Dec-25	2 228	2 214	
355	AltaGas Ltd.	4.500	15-Aug-44	355	344	
1 650	AltaLink Investments LP	5.207	16-Dec-16	1 763	1 751	
1 917	AltaLink Investments LP	3.674	05-Jun-19	1 922	2 028	
1 530	AltaLink Investments LP	3.265	05-Jun-20	1 533	1 585	
1 200	AltaLink LP	3.621	17-Sep-20	1 200	1 286	
530	AltaLink LP	5.381	26-Mar-40	635	666	
4 035	AltaLink LP	3.990	30-Jun-42	3 928	4 190	
6 115	Bank of Montreal	3.490	10-Jun-16	6 289	6 276	
810	Bank of Montreal	2.960	02-Aug-16	831	827	
2 765	Bank of Montreal	4.550	01-Aug-17	2 984	2 957	
1 867	Bank of Montreal	2.240	11-Dec-17	1 883	1 887	
4 550	Bank of Montreal	3.120	19-Sep-24	4 552	4 627	
4 074	Bank of Nova Scotia	2.250	08-May-15	4 105	4 087	
10 783	Bank of Nova Scotia	1.800	09-May-16	10 761	10 812	
10 065	Bank of Nova Scotia	2.100	08-Nov-16	10 081	10 140	
11 345	Bank of Nova Scotia	2.740	01-Dec-16	11 542	11 565	
6 089	Bank of Nova Scotia	4.100	08-Jun-17	6 395	6 428	

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 905	Bank of Nova Scotia	2.400	28-Oct-19	\$ 1 905	\$ 1 920	
964	Bell Canada	4.400	16-Mar-18	1 033	1 032	
971	Bell Canada	3.540	12-Jun-20	1 004	1 016	
955	Bell Canada	3.250	17-Jun-20	954	986	
400	Bell Canada	4.700	11-Sep-23	411	441	
250	Bell Canada	4.750	29-Sep-44	251	257	
428	Bow Centre Street LP	3.693	14-Jun-22	426	436	
1 750	Bow Centre Street LP	3.797	13-Jun-23	1 750	1 810	
2 735	Brookfield Asset Management Inc.	4.540	31-Mar-23	2 830	2 921	
1 630	Brookfield Asset Management Inc.	5.040	08-Mar-24	1 655	1 783	
3 870	Brookfield Asset Management Inc.	4.820	28-Jan-26	3 867	4 111	
845	Brookfield Asset Management Inc.	5.950	14-Jun-35	811	935	
750	Brookfield Renewable Power Inc.	6.132	30-Nov-16	800	806	
1 500	BRP Finance ULC	4.790	07-Feb-22	1 614	1 631	
224	Caisse Centrale Desjardins	3.502	05-Oct-17	226	234	
1 340	Cameco Corp.	5.670	02-Sep-19	1 504	1 499	
755	Cameco Corp.	3.750	14-Nov-22	757	767	
3 895	Cameco Corp.	4.190	24-Jun-24	3 902	4 016	
90	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	91	90	
1 252	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	1 281	1 276	
5 622	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	5 615	5 634	
7 390	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	7 508	7 521	
4 000	Canadian Imperial Bank of Commerce	2.350	18-Oct-17	4 050	4 054	
6 096	Canadian Imperial Bank of Commerce	3.000	28-Oct-24	6 099	6 170	
235	Canadian Utilities Ltd.	9.400	01-May-23	343	346	
1 560	Cards II Trust	1.984	15-Jan-16	1 569	1 567	
261	Cards II Trust	3.333	15-May-16	269	267	
1 750	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	1 750	1 768	
1 005	Centre Street Trust	3.690	14-Jun-21	1 001	1 023	
1 040	Choice Properties LP	3.000	20-Apr-16	1 059	1 052	
1 080	Choice Properties LP	3.000	20-Apr-17	1 104	1 102	
2 485	Choice Properties LP	3.600	20-Apr-20	2 541	2 580	
1 655	Choice Properties LP	3.600	20-Sep-21	1 658	1 703	
995	Choice Properties LP	3.600	20-Sep-22	978	1 014	
1 775	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	1 775	1 828	
1 200	Choice Properties Real Estate Investment Trust	4.903	05-Jul-23	1 303	1 323	
625	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	625	658	
1 260	Cominar Real Estate Investment Trust	3.620	21-Jun-19	1 260	1 280	
690	Cominar Real Estate Investment Trust	4.941	27-Jul-20	729	736	
1 005	Cominar Real Estate Investment Trust	4.250	08-Dec-21	1 005	1 018	
1 565	Crombie Real Estate Investment Trust	3.986	31-Oct-18	1 565	1 629	
967	Crombie Real Estate Investment Trust	3.962	01-Jun-21	972	998	
1 065	CU Inc.	6.145	22-Nov-17	1 211	1 197	
555	CU Inc.	9.920	01-Apr-22	806	808	
1 150	CU Inc.	6.215	06-Mar-24	1 362	1 459	
1 000	CU Inc.	5.896	20-Nov-34	1 247	1 305	
1 500	CU Inc.	5.556	30-Oct-37	1 820	1 913	
150	CU Inc.	5.580	26-May-38	171	193	
3 525	CU Inc.	4.085	02-Sep-44	3 525	3 715	
855	CU Inc.	4.558	07-Nov-53	869	972	
2 915	CU Inc.	4.094	19-Oct-54	2 915	3 041	
2 211	Eagle Credit Card Trust	2.849	17-Oct-18	2 211	2 277	
1 235	Emera Inc.	2.960	13-Dec-16	1 234	1 261	
5 500	Emera Inc.	4.830	02-Dec-19	6 037	6 068	
2 010	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	2 010	2 020	
1 050	Enbridge Gas Distribution Inc.	4.040	23-Nov-20	1 113	1 149	
1 147	Enbridge Gas Distribution Inc.	4.770	17-Dec-21	1 299	1 313	

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
140	Enbridge Gas Distribution Inc.	6.160	16-Dec-33	\$ 180	\$ 184	
4 195	Enbridge Inc.	4.260	01-Feb-21	4 313	4 534	
3 470	Enbridge Inc.	3.160	11-Mar-21	3 536	3 524	
1 350	Enbridge Inc.	5.120	28-Sep-40	1 394	1 437	
1 935	Enbridge Pipelines Inc.	6.620	19-Nov-18	2 293	2 263	
1 680	Enbridge Pipelines Inc.	3.790	17-Aug-23	1 774	1 793	
555	Enbridge Pipelines Inc.	8.200	15-Feb-24	757	768	
2 320	Enbridge Southern Lights LP	4.014	30-Jun-40	2 320	2 398	
1 115	Enersource Corp.	4.521	29-Apr-21	1 129	1 249	
1 330	Enersource Corp.	5.297	29-Apr-41	1 551	1 651	
2 445	Enmax Corp.	6.150	19-Jun-18	2 750	2 738	
274	EPCOR Utilities Inc.	5.800	31-Jan-18	309	306	
1 442	First Capital Realty Inc.	5.600	30-Apr-20	1 612	1 632	
483	First Capital Realty Inc.	4.500	01-Mar-21	513	522	
1 070	First Capital Realty Inc.	4.790	30-Aug-24	1 094	1 164	
295	FortisAlberta Inc.	5.850	15-Apr-38	375	389	
740	FortisBC Inc.	5.900	04-Jul-47	973	1 016	
5 089	Genesis Trust II	2.295	15-Feb-17	5 089	5 155	
6 075	Genesis Trust II	2.433	15-May-19	6 105	6 165	
2 175	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	2 177	2 228	
4 803	Hollis Receivables Term Trust II	2.235	26-Sep-16	4 803	4 851	
6 681	Hollis Receivables Term Trust II	2.434	26-Jun-19	6 683	6 761	
836	Horizon Holdings Inc.	3.033	25-Jul-22	832	853	
9 580	HSBC Bank Canada	2.572	23-Nov-15	9 676	9 667	
719	HSBC Bank Canada	2.901	13-Jan-17	725	735	
3 235	HSBC Bank Canada	2.908	29-Sep-21	3 235	3 302	
4 745	Hydro One Inc.	6.350	31-Jan-34	6 179	6 482	
120	Hydro One Inc.	6.590	22-Apr-43	169	178	
1 080	Inter Pipeline Ltd.	1.758	30-May-17	1 080	1 078	
1 135	Inter Pipeline Ltd.	4.637	30-May-44	1 135	1 161	
2 050	John Deere Canada Funding Inc.	2.300	17-Jan-18	2 046	2 075	
1 200	John Deere Canada Funding Inc.	2.350	24-Jun-19	1 198	1 212	
2 165	Loblaw Companies Ltd.	5.220	18-Jun-20	2 342	2 442	
1 451	Loblaw Companies Ltd.	4.860	12-Sep-23	1 462	1 615	
900	Loblaw Companies Ltd.	6.050	09-Jun-34	991	1 066	
1 125	Lower Mattagami Energy LP	2.228	23-Oct-17	1 125	1 140	
1 225	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	1 225	1 304	
3 113	Maritimes & Northeast Pipeline LP	6.900	30-Nov-19	3 507	3 485	
250	National Bank of Canada	3.580	26-Apr-16	259	256	
1 798	North Battleford Power LP	4.958	31-Dec-32	1 798	2 020	
3 224	North West Redwater Partnership	3.200	22-Jul-24	3 246	3 287	
1 235	Northland Power Solar Finance One LP	4.397	30-Jun-32	1 235	1 271	
430	Nova Scotia Power Inc.	8.850	19-May-25	619	634	
220	Nova Scotia Power Inc.	4.500	20-Jul-43	235	242	
1 665	OMERS Realty Corp.	2.473	12-Nov-19	1 665	1 682	
1 780	OMERS Realty Corp.	2.971	05-Apr-21	1 780	1 838	
1 969	OMERS Realty Corp.	3.358	05-Jun-23	1 978	2 052	
1 040	Pembina Pipeline Corp.	3.770	24-Oct-22	1 021	1 084	
850	PowerStream Inc.	3.239	21-Nov-24	850	866	
1 545	Ridley Grain Ltd.	5.227	01-Aug-24	1 545	1 598	
1 190	Rogers Communications Inc.	3.000	06-Jun-17	1 220	1 220	
560	Rogers Communications Inc.	2.800	13-Mar-19	560	571	
900	Rogers Communications Inc.	5.340	22-Mar-21	1 011	1 028	
1 000	Rogers Communications Inc.	4.000	13-Mar-24	997	1 045	
535	Rogers Communications Inc.	6.680	04-Nov-39	647	686	
2 711	Royal Bank of Canada*	2.680	08-Dec-16	2 737	2 761	
11 569	Royal Bank of Canada*	3.660	25-Jan-17	12 103	12 017	

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
6 005	Royal Bank of Canada*	2.364	21-Sep-17	\$ 6 079	\$ 6 086	
16 472	Royal Bank of Canada*	2.260	12-Mar-18	16 497	16 635	
4 330	Royal Bank of Canada*	2.820	12-Jul-18	4 403	4 455	
2 600	Royal Bank of Canada*	2.890	11-Oct-18	2 668	2 680	
2 920	Royal Bank of Canada*	2.770	11-Dec-18	2 995	2 997	
4 760	Royal Bank of Canada*	2.350	09-Dec-19	4 759	4 783	
2 095	Royal Bank of Canada*	3.450	29-Sep-26	2 105	2 144	
1 538	SEC LP and Arci Ltd.	5.188	29-Aug-33	1 538	1 736	
775	Shaw Communications Inc.	5.500	07-Dec-20	876	886	
2 142	Shaw Communications Inc.	6.750	09-Nov-39	2 329	2 659	
3 610	Sobeys Inc.	4.700	08-Aug-23	3 605	3 905	
1 915	TELUS Corp.	4.850	05-Apr-44	1 949	2 022	
2 930	TELUS Corp.	4.750	17-Jan-45	2 909	3 047	
7 075	Teranet Holdings LP	4.807	16-Dec-20	7 537	7 826	
1 740	Teranet Holdings LP	5.754	17-Dec-40	1 699	1 964	
361	Terasen Gas Inc.	6.500	01-May-34	461	497	
600	Terasen Gas Inc.	5.550	25-Sep-36	685	758	
285	Terasen Gas Inc.	6.000	02-Oct-37	364	381	
20	Terasen Gas Inc.	6.550	24-Feb-39	27	29	
2 955	Thomson Reuters Corp.	3.369	23-May-19	2 959	3 063	
2 675	Thomson Reuters Corp.	4.350	30-Sep-20	2 826	2 896	
2 075	Thomson Reuters Corp.	3.309	12-Nov-21	2 075	2 107	
3 460	Tim Hortons Inc.	4.200	01-Jun-17	3 612	3 505	
2 490	Tim Hortons Inc.	2.850	01-Apr-19	2 489	2 515	
1 745	Tim Hortons Inc.	4.520	01-Dec-23	1 748	1 767	
2 160	TMX Group Ltd.	3.253	03-Oct-18	2 160	2 246	
575	TMX Group Ltd.	4.461	03-Oct-23	575	630	
868	Toronto Hydro Corp.	3.540	18-Nov-21	876	930	
5 667	Toronto-Dominion Bank	2.433	15-Aug-17	5 653	5 758	
2 005	Toronto-Dominion Bank	2.621	22-Dec-21	2 005	2 012	
185	Union Gas Ltd.	9.700	06-Nov-17	229	224	
2 000	Union Gas Ltd.	5.350	27-Apr-18	2 235	2 219	
600	Union Gas Ltd.	8.750	03-Aug-18	745	733	
8 895	Union Gas Ltd.	3.790	10-Jul-23	9 220	9 538	
462	Union Gas Ltd.	4.200	02-Jun-44	462	487	
725	Westcoast Energy Inc.	3.883	28-Oct-21	748	772	
540	Winnipeg Airport Authority Inc.	3.039	14-Apr-23	530	547	
				411 113	419 363	12.1
FEDERAL						
19 702	Canada Housing Trust No. 1	4.100	15-Dec-18	21 646	21 668	
14 682	Canada Housing Trust No. 1	1.950	15-Jun-19	14 718	14 921	
28 617	Canada Housing Trust No. 1	2.000	15-Dec-19	28 950	29 073	
13 773	Canada Housing Trust No. 1	3.750	15-Mar-20	15 078	15 165	
15 153	Canada Housing Trust No. 1	3.350	15-Dec-20	16 159	16 459	
29 212	Canada Housing Trust No. 1	3.800	15-Jun-21	31 852	32 582	
9 381	Canada Housing Trust No. 1	2.650	15-Mar-22	9 587	9 796	
110 578	Government of Canada	1.000	01-Feb-15	110 584	110 575	
10 403	Government of Canada	1.750	01-Sep-19	10 578	10 597	
590	Government of Canada	3.250	01-Jun-21	654	654	
3 824	Government of Canada	2.750	01-Jun-22	4 104	4 129	
11 967	Government of Canada	2.500	01-Jun-24	12 583	12 704	
2 043	Government of Canada	5.000	01-Jun-37	2 983	3 002	
31 143	Government of Canada	3.500	01-Dec-45	38 364	39 098	
				317 840	320 423	9.3

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL						
10	Hospital for Sick Children	5.217	16-Dec-49	\$ 10	\$ 12	
510	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	509	545	
2 450	Ontario Electricity Financial Corp.	8.500	26-May-25	3 504	3 714	
7 663	Ontario Electricity Financial Corp.	8.250	22-Jun-26	11 382	11 697	
657	Ontrea Inc.	4.619	09-Apr-18	657	707	
1 925	Province of Manitoba	4.050	05-Sep-45	2 103	2 224	
2 773	Province of New Brunswick	2.850	02-Jun-23	2 751	2 847	
2 527	Province of New Brunswick	4.800	03-Jun-41	2 949	3 148	
1 786	Province of New Brunswick	3.550	03-Jun-43	1 703	1 838	
2 585	Province of New Brunswick	3.800	14-Aug-45	2 708	2 789	
7 411	Province of Ontario	4.000	02-Jun-21	8 026	8 245	
3 853	Province of Ontario	3.150	02-Jun-22	4 001	4 076	
15 202	Province of Ontario	8.100	08-Sep-23	21 436	21 874	
27 940	Province of Ontario	3.500	02-Jun-24	29 412	30 025	
9 850	Province of Ontario	8.500	02-Dec-25	14 796	15 167	
1 860	Province of Ontario	8.000	02-Jun-26	2 728	2 803	
43 680	Province of Ontario	7.600	02-Jun-27	63 122	65 353	
62 755	Province of Ontario	6.500	08-Mar-29	84 889	88 254	
5 860	Province of Ontario	6.200	02-Jun-31	7 798	8 206	
4 170	Province of Ontario	5.850	08-Mar-33	5 342	5 716	
595	Province of Ontario	5.600	02-Jun-35	768	806	
1 617	Province of Ontario	4.700	02-Jun-37	1 787	1 988	
2 445	Province of Ontario	4.600	02-Jun-39	2 783	2 988	
25 889	Province of Ontario	3.500	02-Jun-43	24 878	26 956	
42 089	Province of Ontario	3.450	02-Jun-45	40 742	43 568	
7 138	Province of Ontario Residual Strip	0.000	02-Jun-41	2 824	2 943	
5 797	Province of Quebec	9.375	16-Jan-23	8 639	8 731	
10 855	Province of Quebec	8.500	01-Apr-26	16 279	16 696	
5 859	Province of Quebec	6.000	01-Oct-29	7 576	7 891	
3 090	Province of Quebec	4.250	01-Dec-43	3 278	3 605	
5 006	Province of Quebec Residual Strip	0.000	01-Dec-41	1 916	1 989	
2 297	TransLink	3.800	02-Nov-20	2 418	2 503	
				383 714	399 904	11.6
TOTAL CANADIAN BONDS				1 112 667	1 139 690	33.0
UNITED KINGDOM BONDS						
1 630	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	1 618	1 665	
5 490	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	5 530	5 618	
1 967	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	1 965	2 026	
TOTAL UNITED KINGDOM BONDS				9 113	9 309	0.3
UNITED STATES BONDS						
5 820	AT&T Inc. CAD	3.825	25-Nov-20	5 906	6 095	
TOTAL UNITED STATES BONDS				5 906	6 095	0.2
TOTAL BONDS				1 129 306	1 156 763	33.5

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

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
MORTGAGE-BACKED SECURITIES						
116	Equitable Bank	4.350	01-Jan-18	\$ 120	\$ 125	
36	Peoples Trust	4.200	01-Oct-19	36	39	
TOTAL MORTGAGE-BACKED SECURITIES				156	164	—
SHORT-TERM INVESTMENTS†				51 003	51 003	1.5
TOTAL INVESTMENTS				3 387 710	3 445 637	99.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				—	77	—
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				—	(67)	—
TOTAL PORTFOLIO				\$ 3 387 710	3 445 647	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					6 800	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 3 452 447	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.16% to 1.23% and mature between January 2, 2015 and January 5, 2015.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 1 266 Sold CAD 1 436 @ 1.1341	03-Feb-15	\$ 37
Bought USD 1 036 Sold CAD 1 164 @ 1.1237	03-Feb-15	40
		\$ 77
Contracts	Maturity Date	Unrealized Loss
Bought CAD 2 610 Sold USD 2 302 @ 1.1337	03-Feb-15	\$ (67)
		\$ (67)
TOTAL FOREIGN EXCHANGE		\$ 10

All counterparties have a credit rating of at least A.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 3 445 637	\$ 3 166 336	\$ 2 629 593
Cash	1 079	107	139
Due from investment dealers	66 499	4 722	14 044
Subscriptions receivable	2 027	611	2 037
Unrealized gain on foreign exchange contracts	77	6	–
Dividends receivable, interest accrued and other assets	11 672	10 617	11 303
TOTAL ASSETS	3 526 991	3 182 399	2 657 116
LIABILITIES			
Due to investment dealers	66 266	3 728	18 922
Redemptions payable	2 898	1 243	1 781
Unrealized loss on foreign exchange contracts	67	72	–
Accounts payable and accrued expenses	5 313	1 484	1 394
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	74 544	6 527	22 097
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 3 452 447	\$ 3 175 872	\$ 2 635 019
Investments at cost	\$ 3 387 710	\$ 3 042 073	\$ 2 530 958
NAV			
SERIES C	\$ 2 754 742	\$ 573 572	\$ 581 795
ADVISOR SERIES	\$ 133 056	\$ 131 135	\$ 102 059
SERIES H	\$ 58 352	\$ 36 308	\$ 33 912
SERIES D	\$ 153 635	\$ 138 932	\$ 114 623
SERIES F	\$ 85 017	\$ 81 613	\$ 70 056
SERIES I	\$ 16 892	\$ 10 218	\$ 14 179
SERIES O	\$ 250 753	\$ 2 204 094	\$ 1 718 395
NAV PER UNIT			
SERIES C	\$ 10.03	\$ 10.45	\$ 10.44
ADVISOR SERIES	\$ 10.03	\$ 10.45	\$ 10.44
SERIES H	\$ 10.08	\$ 10.48	\$ 10.45
SERIES D	\$ 10.49	\$ 10.82	\$ 10.72
SERIES F	\$ 10.64	\$ 10.94	\$ 10.81
SERIES I	\$ 10.69	\$ 10.97	\$ 10.82
SERIES O	\$ 11.06	\$ 11.27	\$ 11.04

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 56 807	\$ 53 339
Interest for distribution purposes	39 316	37 705
Other income (loss)	2 352	2 940
Other income received from underlying funds	19 812	17 561
Securities lending revenue (see note 6 in the generic notes)	123	–
Net realized gain (loss) on investments	240 324	130 044
Net gain (loss) on foreign currencies and other net assets	(562)	(17)
Change in unrealized gain (loss) on investments	(78 442)	25 562
TOTAL INCOME (LOSS)	279 730	267 134
EXPENSES (see notes – Fund Specific Information)		
Management fees	33 329	14 167
Administration fees	2 781	2 001
Board of Governors costs	3	3
GST/HST	3 458	1 563
Transaction costs	8 032	8 286
Withholding tax	86	–
TOTAL EXPENSES	47 689	26 020
INCREASE (DECREASE) IN NAV	\$ 232 041	\$ 241 114
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 8 689	\$ 38 872
ADVISOR SERIES	\$ 8 528	\$ 8 172
SERIES H	\$ 2 392	\$ 2 324
SERIES D	\$ 10 439	\$ 9 762
SERIES F	\$ 6 035	\$ 6 089
SERIES I	\$ 837	\$ 921
SERIES O	\$ 195 121	\$ 174 974
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.62	\$ 0.70
ADVISOR SERIES	\$ 0.65	\$ 0.68
SERIES H	\$ 0.66	\$ 0.72
SERIES D	\$ 0.77	\$ 0.80
SERIES F	\$ 0.81	\$ 0.85
SERIES I	\$ 0.83	\$ 0.87
SERIES O	\$ 0.94	\$ 0.95

Statements of Cash Flow *(in \$000s)*For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 232 041	\$ 241 114
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(240 324)	(130 044)
Change in unrealized loss (gain) on investments	78 442	(25 562)
(Increase) decrease in accrued receivables	(62 832)	10 008
Increase (decrease) in accrued payables	66 367	(15 104)
Cost of investments purchased	(8 632 868)	(10 130 033)
Proceeds on sales of investments	8 515 373	9 748 962
NET CASH PROVIDED BY OPERATING ACTIVITIES	(43 801)	(300 659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	2 783 975	661 332
Cash paid on redemption of redeemable units	(2 720 631)	(345 700)
Distributions paid to holders of redeemable units	(18 571)	(15 005)
NET CASH USED IN FINANCING ACTIVITIES	\$ 44 773	\$ 300 627
Net increase (decrease) in cash for the year	972	(32)
Cash (bank overdraft), beginning of period	107	139
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 1 079	\$ 107
Interest received	\$ 38 663	\$ 36 305
Dividends received, net of withholding taxes	\$ 58 670	\$ 58 366

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 573 572	\$ 581 795	\$ 131 135	\$ 102 059	\$ 36 308	\$ 33 912	\$ 138 932	\$ 114 623
INCREASE (DECREASE) IN NAV	8 689	38 872	8 528	8 172	2 392	2 324	10 439	9 762
Early redemption fees	1	—	—	—	—	—	2	1
Proceeds from redeemable units issued	2 492 468	117 680	31 302	56 998	30 111	20 802	44 858	48 369
Reinvestments of distributions to holders of redeemable units	165 594	30 713	11 642	6 133	4 281	1 626	13 701	6 725
Redemption of redeemable units	(308 555)	(156 419)	(35 465)	(33 821)	(9 510)	(20 088)	(38 591)	(31 931)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	2 349 508	(8 026)	7 479	29 310	24 882	2 340	19 970	23 164
Distributions from net income	(40 385)	(18 748)	(3 228)	(3 958)	(1 154)	(1 055)	(3 609)	(4 060)
Distributions from net gains	(136 642)	(20 321)	(10 858)	(4 448)	(4 076)	(1 213)	(12 097)	(4 557)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(177 027)	(39 069)	(14 086)	(8 406)	(5 230)	(2 268)	(15 706)	(8 617)
NET INCREASE (DECREASE) IN NAV	2 181 170	(8 223)	1 921	29 076	22 044	2 396	14 703	24 309
NAV AT END OF PERIOD	\$ 2 754 742	\$ 573 572	\$ 133 056	\$ 131 135	\$ 58 352	\$ 36 308	\$ 153 635	\$ 138 932

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 81 613	\$ 70 056	\$ 10 218	\$ 14 179	\$ 2 204 094	\$ 1 718 395	\$ 3 175 872	\$ 2 635 019
INCREASE (DECREASE) IN NAV	6 035	6 089	837	921	195 121	174 974	232 041	241 114
Early redemption fees	—	—	—	—	—	—	3	1
Proceeds from redeemable units issued	24 475	29 674	9 777	3 014	152 400	383 369	2 785 391	659 906
Reinvestments of distributions to holders of redeemable units	7 098	3 759	1 231	480	132 568	135 417	336 115	184 853
Redemption of redeemable units	(25 657)	(22 758)	(3 794)	(7 631)	(2 300 717)	(72 515)	(2 722 289)	(345 163)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	5 916	10 675	7 214	(4 137)	(2 015 749)	446 271	399 220	499 597
Distributions from net income	(1 976)	(2 486)	(297)	(368)	(30 296)	(64 498)	(80 945)	(95 173)
Distributions from net gains	(6 571)	(2 721)	(1 080)	(377)	(102 417)	(71 048)	(273 741)	(104 685)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(8 547)	(5 207)	(1 377)	(745)	(132 713)	(135 546)	(354 686)	(199 858)
NET INCREASE (DECREASE) IN NAV	3 404	11 557	6 674	(3 961)	(1 953 341)	485 699	276 575	540 853
NAV AT END OF PERIOD	\$ 85 017	\$ 81 613	\$ 16 892	\$ 10 218	\$ 250 753	\$ 2 204 094	\$ 3 452 447	\$ 3 175 872

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with monthly income that may consist of dividend income, interest income, realized capital gains and return of capital. Investors in the Fund will also have the potential for modest capital growth.

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

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 42.8% (December 31, 2013 – 43.0%, January 1, 2013 – 43.0%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	23.6	22.9	25.3
AA	34.1	33.6	28.7
A	10.8	12.3	17.7
BBB	9.9	11.1	11.9
BB	9.7	9.0	7.4
B	11.5	10.7	8.1
CCC	0.3	0.3	0.1
Unrated	0.1	0.1	0.8
Total	100.0	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Canadian Equities	55.5	56.1	49.6
Bonds	42.4	42.3	41.9
Preferred Equities	–	–	4.9
Cash/Other	2.1	1.6	3.6

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 33.5% (December 31, 2013 – 33.3%, January 1, 2013 – 33.6%) of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	11.3	15.1	27.1
1 – 5 years	26.6	30.0	23.9
5 – 10 years	25.7	25.5	15.5
> 10 years	36.4	29.4	33.5
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.4% (December 31, 2013 – 2.1%, January 1, 2013 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.4	+ or - 0.4

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

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	1 916 634	–	–	1 916 634
Mutual fund units	321 073	–	–	321 073
Fixed-income				
and debt securities	–	1 156 927	–	1 156 927
Short-term investments	–	51 003	–	51 003
Derivatives – assets	–	77	–	77
Derivatives – liabilities	–	(67)	–	(67)
Total financial instruments	2 237 707	1 207 940	–	3 445 647
% of total portfolio	64.9	35.1	–	100.0

December 31, 2014

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 784 043	–	–	1 784 043
Mutual fund units	308 333	–	–	308 333
Fixed-income				
and debt securities	–	1 058 643	–	1 058 643
Short-term investments	–	15 317	–	15 317
Derivatives – assets	–	6	–	6
Derivatives – liabilities	–	(72)	–	(72)
Total financial instruments	2 092 376	1 073 894	–	3 166 270
% of total portfolio	66.1	33.9	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 437 275	–	–	1 437 275
Mutual fund units	248 295	–	–	248 295
Fixed-income				
and debt securities	–	883 124	–	883 124
Short-term investments	–	60 899	–	60 899
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 685 570	944 023	–	2 629 593
% of total portfolio	64.1	35.9	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series C	1.65%
Advisor Series	1.65%
Series H	1.50%
Series D	0.90%
Series F	0.65%
Series I	0.50%

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Advisor Series	126	113
Series H	119	107
Series I	115	104
Series O	62	56
Value of all units	4	4

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
RBC High Yield Bond Fund	5.8	14.9	6.1	16.7
Phillips, Hager & North High Yield Bond Fund	3.5	3.4	3.7	3.5

	January 1, 2013	
	NAV	Ownership
RBC High Yield Bond Fund	5.3	18.8
Phillips, Hager & North High Yield Bond Fund	4.2	3.3

December 31, 2014

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	54 901	55 703
Issued number of units	232 761	11 213
Reinvested number of units	16 084	2 946
Redeemed number of units	(29 102)	(14 961)
Ending number of units	274 644	54 901
Advisor Series		
Opening units	12 551	9 771
Issued number of units	2 926	5 425
Reinvested number of units	1 117	589
Redeemed number of units	(3 329)	(3 234)
Ending number of units	13 265	12 551
Series H		
Opening units	3 466	3 245
Issued number of units	2 805	1 977
Reinvested number of units	411	156
Redeemed number of units	(893)	(1 912)
Ending number of units	5 789	3 466
Series D		
Opening units	12 840	10 695
Issued number of units	4 041	4 483
Reinvested number of units	1 260	625
Redeemed number of units	(3 499)	(2 963)
Ending number of units	14 642	12 840
Series F		
Opening units	7 459	6 481
Issued number of units	2 183	2 724
Reinvested number of units	645	346
Redeemed number of units	(2 293)	(2 092)
Ending number of units	7 994	7 459
Series I		
Opening units	932	1 311
Issued number of units	877	277
Reinvested number of units	112	44
Redeemed number of units	(340)	(700)
Ending number of units	1 581	932

For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
Series O		
Opening units	195 565	155 627
Issued number of units	13 030	34 303
Reinvested number of units	11 458	12 131
Redeemed number of units	(197 375)	(6 496)
Ending number of units	22 678	195 565

Transaction costs (\$000s except %)

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

	December 31		December 31	
	2014	%	2013	%
	\$		\$	
Total transaction costs	8 032	100	8 286	100
Related-party brokerage commissions*	1 019	13	1 152	14
Commission arrangements†	902	11	543	7

* See note 7 in the generic notes.

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

Securities lending revenue (\$000s) (see note 6 in the generic notes)

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

	December 31	December 31
	2014	2013
Fair value of securities loaned	315 333	–
Fair value of collateral received	321 656	–

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31	December 31
	2014	2013
RBC Phillips, Hager & North Monthly Income Fund	–	64.5
Phillips, Hager & North Monthly Income Class	5.5	2.7
Total	5.5	67.2

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

December 31, 2014

Fund merger (000s)

At the close of business on June 27, 2014, the RBC Phillips, Hager & North Monthly Income Fund was merged into the Phillips, Hager & North Monthly Income Fund. The purchase 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 RBC Phillips, Hager & North Monthly Income Fund (the “Terminated Fund”) and the Phillips, Hager & North Monthly Income Fund (the “Continuing Fund”) are as follows:

Net assets acquired by Continuing Fund	\$ 2 232 784
Exchange ratio Series C	1.01
Units issued by Continuing Fund Series C	208 445

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 June 27, 2014, 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 June 27, 2014. 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 has no tax liability as at June 27, 2014. All capital and non-capital loss carryforwards 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.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	3 173 302	2 631 292
Revaluation of investments at FVTPL	2 570	3 727
Net assets attributable to holders of redeemable units	3 175 872	2 635 019
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		242 271
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(1 157)
Increase (decrease) in net assets attributable to holders of redeemable units		241 114

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH BALANCED FUND

December 31, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
1 068 878	RBC Institutional Cash Fund*	\$ 10 689	\$ 10 689	
22 527 373	Phillips, Hager & North Bond Fund*	233 621	240 311	
20 180 454	Phillips, Hager & North Canadian Equity Underlying Fund*	186 448	223 219	
1 339 543	RBC High Yield Bond Fund*	14 408	14 283	
2 154 528	RBC Emerging Markets Equity Fund*	28 392	28 810	
13 292 126	RBC Global Equity Focus Fund*	141 038	150 705	
4 011 677	RBC QUBE Global Equity Fund*	52 641	50 397	
TOTAL MUTUAL FUND UNITS		667 237	718 414	99.4
SHORT-TERM INVESTMENTS†		4 142	4 142	0.6
TOTAL INVESTMENTS		<u>\$ 671 379</u>	<u>722 556</u>	100.0
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(226)	–
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 722 330</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.23% and mature between January 2, 2015 and January 30, 2015.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 722 556	\$ 678 107	\$ 658 410
Cash	23	19	195
Due from investment dealers	2 000	72	5 024
Subscriptions receivable	534	198	65
Dividends receivable, interest accrued and other assets	3	4	1 341
TOTAL ASSETS	725 116	678 400	665 035
LIABILITIES			
Due to investment dealers	2 000	22	1 454
Redemptions payable	237	433	1 471
Accounts payable and accrued expenses	549	473	483
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2 786	928	3 408
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 722 330	\$ 677 472	\$ 661 627
Investments at cost	\$ 671 379	\$ 604 511	\$ 646 985
NAV			
SERIES C	\$ 23 095	\$ 22 353	\$ 21 145
ADVISOR SERIES	\$ 3 940	\$ 2 852	\$ 1 677
SERIES D	\$ 647 200	\$ 595 989	\$ 590 173
SERIES F	\$ 9 185	\$ 8 864	\$ 7 821
SERIES O	\$ 38 910	\$ 47 414	\$ 40 811
NAV PER UNIT			
SERIES C	\$ 18.78	\$ 18.97	\$ 17.04
ADVISOR SERIES	\$ 18.79	\$ 18.98	\$ 17.04
SERIES D	\$ 18.52	\$ 18.73	\$ 16.81
SERIES F	\$ 18.54	\$ 18.74	\$ 16.82
SERIES O	\$ 18.32	\$ 18.54	\$ 16.64

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 35	\$ 4 447
Other income received from underlying funds	17 956	14 106
Capital gains received from underlying funds	23 426	2 509
Net realized gain (loss) on investments	61 392	6 850
Net gain (loss) on foreign currencies and other net assets	2	1
Change in unrealized gain (loss) on investments	(22 419)	62 171
TOTAL INCOME (LOSS)	80 392	90 084
EXPENSES (see notes – Fund Specific Information)		
Management fees	5 253	4 809
Administration fees	283	259
Board of Governors costs	3	3
GST/HST	408	416
TOTAL EXPENSES	5 947	5 487
INCREASE (DECREASE) IN NAV	\$ 74 445	\$ 84 597
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 2 140	\$ 2 553
ADVISOR SERIES	\$ 312	\$ 273
SERIES D	\$ 66 025	\$ 74 495
SERIES F	\$ 964	\$ 1 056
SERIES O	\$ 5 004	\$ 6 220
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.89	\$ 2.11
ADVISOR SERIES	\$ 1.89	\$ 2.02
SERIES D	\$ 2.07	\$ 2.28
SERIES F	\$ 2.06	\$ 2.27
SERIES O	\$ 2.22	\$ 2.40

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 74 445	\$ 84 597
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(61 390)	(6 833)
Change in unrealized loss (gain) on investments	22 419	(62 171)
(Increase) decrease in accrued receivables	(1 927)	6 289
Increase (decrease) in accrued payables	2 054	(1 442)
Cost of investments purchased	(625 828)	(1 380 529)
Proceeds on sales of investments	620 350	1 429 836
NET CASH PROVIDED BY OPERATING ACTIVITIES	30 123	69 747
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	78 821	78 998
Cash paid on redemption of redeemable units	(104 176)	(148 133)
Distributions paid to holders of redeemable units	(4 764)	(788)
NET CASH USED IN FINANCING ACTIVITIES	\$ (30 119)	\$ (69 923)
Net increase (decrease) in cash for the year	4	(176)
Cash (bank overdraft), beginning of period	19	195
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 23	\$ 19
Interest received	\$ 39	\$ 5 784
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 22 353	\$ 21 145	\$ 2 852	\$ 1 677	\$ 595 989	\$ 590 173	\$ 8 864	\$ 7 821
INCREASE (DECREASE) IN NAV	2 140	2 553	312	273	66 025	74 495	964	1 056
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	5 464	5 329	1 291	1 240	61 371	40 084	2 119	2 661
Reinvestments of distributions to holders of redeemable units	2 063	180	373	21	69 564	11 269	453	68
Redemption of redeemable units	(6 608)	(6 644)	(503)	(337)	(73 668)	(108 336)	(2 165)	(2 579)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	919	(1 135)	1 161	924	57 267	(56 983)	407	150
Distributions from net income	(151)	(210)	(24)	(22)	(11 099)	(11 696)	(157)	(163)
Distributions from net gains	(2 166)	—	(361)	—	(60 982)	—	(893)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 317)	(210)	(385)	(22)	(72 081)	(11 696)	(1 050)	(163)
NET INCREASE (DECREASE) IN NAV	742	1 208	1 088	1 175	51 211	5 816	321	1 043
NAV AT END OF PERIOD	\$ 23 095	\$ 22 353	\$ 3 940	\$ 2 852	\$ 647 200	\$ 595 989	\$ 9 185	\$ 8 864

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 47 414	\$ 40 811	\$ 677 472	\$ 661 627
INCREASE (DECREASE) IN NAV	5 004	6 220	74 445	84 597
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	8 912	29 817	79 157	79 131
Reinvestments of distributions to holders of redeemable units	3 493	1 023	75 946	12 561
Redemption of redeemable units	(21 036)	(29 199)	(103 980)	(147 095)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(8 631)	1 641	51 123	(55 403)
Distributions from net income	(1 093)	(1 258)	(12 524)	(13 349)
Distributions from net gains	(3 784)	—	(68 186)	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4 877)	(1 258)	(80 710)	(13 349)
NET INCREASE (DECREASE) IN NAV	(8 504)	6 603	44 858	15 845
NAV AT END OF PERIOD	\$ 38 910	\$ 47 414	\$ 722 330	\$ 677 472

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing primarily in a strategic asset mix of Canadian and foreign equities, Canadian fixed-income securities and money market instruments.

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

During 2013, the Fund began investing primarily in other mutual funds. As at June 30, 2013, the Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

As at December 31, 2014 and December 31, 2013, the Fund is exposed to credit risk from investments in mutual funds units. These mutual funds invest in debt securities and could enter into over-the-counter derivative markets. As at January 1, 2013, credit-exposed securities, excluding short-term investments, comprise 33.0% of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at January 1, 2013:

Rating	January 1 2013
AAA	26.8
AA	37.1
A	25.5
BBB	10.6
Total	100.0

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Bonds	32.3	28.5	32.9
Canadian Equities	31.6	35.3	34.5
United States Equities	16.2	13.3	13.9
Overseas Equities	14.2	11.7	12.6
Mortgages	0.2	0.2	–
Cash/Other	5.5	11.0	6.1

Interest rate risk (%)

As at December 31, 2014 and December 31, 2013, the Fund is exposed to interest rate risk from investments in mutual fund units. As at January 1, 2013, fixed-income and debt securities, excluding short-term investments, comprise 33.0% of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at January 1, 2013:

Term to maturity	January 1 2013
Less than 1 year	26.9
1 – 5 years	21.1
5 – 10 years	13.0
> 10 years	39.0
Total	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.5% (December 31, 2013 – 2.1%, January 1, 2013 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014 and December 31, 2013, the Fund is exposed to currency risk from investments in mutual funds units. The table below summarizes the fund's net exposure (after hedging, if any) to currency risks as at January 1, 2013:

Currency	January 1 2013
United States dollar	15.0
Euro	3.6
Pound sterling	2.5
Swiss franc	2.1
Japanese yen	1.6
Hong Kong dollar	1.2
Singapore dollar	0.5
Other currencies	0.5
Total	27.0

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

PHILLIPS, HAGER & NORTH BALANCED FUND

December 31, 2014

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.5	+ or - 0.5
MSCI World ex Canada Total			
Return Net Index (CAD)	+ or - 0.5	+ or - 0.5	+ or - 0.6

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	718 414	–	–	718 414
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	4 142	–	4 142
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	718 414	4 142	–	722 556
% of total portfolio	99.4	0.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	676 022	–	–	676 022
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	2 085	–	2 085
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	676 022	2 085	–	678 107
% of total portfolio	99.7	0.3	–	100.0

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

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	410 872	–	–	410 872
Fixed-income				
and debt securities	–	218 472	–	218 472
Short-term investments	–	29 066	–	29 066
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	410 872	247 538	–	658 410
% of total portfolio	62.4	37.6	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series C	0.08%
Advisor Series	0.08%
Series D	0.04%
Series F	0.08%
Series O	0.01%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	35	31
Advisor Series	68	62
Series D	37	33
Series F	37	33
Series O	39	34
Value of all units	4	4

December 31, 2014

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
RBC Institutional Cash Fund	1.5	5.3	5.4	16.2
Phillips, Hager & North				
Bond Fund	33.2	2.8	33.0	2.3
RBC High Yield Bond Fund	2.0	1.1	–	–
Phillips, Hager & North				
Canadian Equity Underlying Fund	30.8	8.8	35.6	10.1
Phillips, Hager & North				
U.S. Equity Fund	–	–	13.4	10.9
Phillips, Hager & North				
Overseas Equity Pension Trust	–	–	12.4	17.3
RBC Emerging Markets				
Equity Fund	4.0	1.5	–	–
RBC Global Equity				
Focus Fund	20.9	14.3	–	–
RBC QUBE Global				
Equity Fund	7.0	13.8	–	–
			January 1, 2013	
			NAV	Ownership
Phillips, Hager & North				
Canadian Equity Underlying Fund			35.0	34.9
Phillips, Hager & North				
U.S. Equity Fund			14.0	10.3
Phillips, Hager & North				
Overseas Equity Pension Trust			13.0	15.8

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	1 178	1 241
Issued number of units	273	302
Reinvested number of units	110	10
Redeemed number of units	(331)	(375)
Ending number of units	1 230	1 178
Advisor Series		
Opening units	150	98
Issued number of units	65	70
Reinvested number of units	20	1
Redeemed number of units	(25)	(19)
Ending number of units	210	150
Series D		
Opening units	31 823	35 105
Issued number of units	3 121	2 261
Reinvested number of units	3 740	642
Redeemed number of units	(3 742)	(6 185)
Ending number of units	34 942	31 823
Series F		
Opening units	473	465
Issued number of units	108	152
Reinvested number of units	24	4
Redeemed number of units	(110)	(148)
Ending number of units	495	473
Series O		
Opening units	2 557	2 452
Issued number of units	455	1 732
Reinvested number of units	189	59
Redeemed number of units	(1 077)	(1 686)
Ending number of units	2 124	2 557

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	677 472	661 397
Revaluation of investments at FVTPL	–	230
Net assets attributable to holders of redeemable units	677 472	661 627
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		84 827
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(230)
Increase (decrease) in net assets attributable to holders of redeemable units		84 597

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

December 31, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
1 475 159	Phillips, Hager & North Community Values Bond Fund*	\$ 15 907	\$ 16 275	
586 144	Phillips, Hager & North Community Values Canadian Equity Fund*	13 086	14 311	
1 250 111	Phillips, Hager & North Community Values Global Equity Fund*	13 696	14 554	
TOTAL MUTUAL FUND UNITS		42 689	45 140	98.0
SHORT-TERM INVESTMENTS†		1 002	1 002	2.2
TOTAL INVESTMENTS		<u>\$ 43 691</u>	46 142	100.2
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(89)	(0.2)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 46 053</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.00% and mature on January 2, 2015.

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

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 46 142	\$ 16 641	\$ 13 838
Cash	4	1	–
Due from investment dealers	150	–	174
Subscriptions receivable	22	4	1
TOTAL ASSETS	46 318	16 646	14 013
LIABILITIES			
Due to investment dealers	200	–	–
Redemptions payable	35	1	130
Accounts payable and accrued expenses	30	17	14
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	265	18	144
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 46 053	\$ 16 628	\$ 13 869
Investments at cost	\$ 43 691	\$ 14 883	\$ 13 562
NAV			
SERIES C	\$ 5 335	\$ 3 354	\$ 2 590
ADVISOR SERIES	\$ 2 460	\$ 1 492	\$ 493
SERIES D	\$ 14 009	\$ 10 670	\$ 10 127
SERIES F	\$ 758	\$ 586	\$ 383
SERIES O	\$ 23 491	\$ 526	\$ 276
NAV PER UNIT			
SERIES C	\$ 14.47	\$ 13.98	\$ 12.48
ADVISOR SERIES	\$ 14.47	\$ 13.98	\$ 12.48
SERIES D	\$ 14.28	\$ 13.80	\$ 12.31
SERIES F	\$ 14.47	\$ 13.98	\$ 12.48
SERIES O	\$ 14.32	\$ 13.84	\$ 12.35

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 22	\$ 8
Other income received from underlying funds	1 104	411
Capital gains received from underlying funds	2 001	34
Net realized gain (loss) on investments	645	279
Change in unrealized gain (loss) on investments	693	1 482
TOTAL INCOME (LOSS)	4 465	2 214
EXPENSES (see notes – Fund Specific Information)		
Management fees	213	150
Administration fees	39	14
Board of Governors costs	3	3
GST/HST	24	17
Expenses reimbursed by manager	(3)	–
TOTAL EXPENSES	276	184
INCREASE (DECREASE) IN NAV	\$ 4 189	\$ 2 030
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 407	\$ 357
ADVISOR SERIES	\$ 187	\$ 128
SERIES D	\$ 1 325	\$ 1 406
SERIES F	\$ 70	\$ 67
SERIES O	\$ 2 200	\$ 72
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.42	\$ 1.63
ADVISOR SERIES	\$ 1.42	\$ 1.62
SERIES D	\$ 1.58	\$ 1.77
SERIES F	\$ 1.60	\$ 1.79
SERIES O	\$ 1.57	\$ 1.89

Statements of Cash Flow (in \$000s)

 For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 4 189	\$ 2 030
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(645)	(279)
Change in unrealized loss (gain) on investments	(693)	(1 482)
(Increase) decrease in accrued receivables	(150)	174
Increase (decrease) in accrued payables	213	3
Cost of investments purchased	(223 413)	(213 431)
Proceeds on sales of investments	195 250	212 389
NET CASH PROVIDED BY OPERATING ACTIVITIES	(25 249)	(596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	27 457	3 834
Cash paid on redemption of redeemable units	(2 174)	(3 230)
Distributions paid to holders of redeemable units	(31)	(7)
NET CASH USED IN FINANCING ACTIVITIES	\$ 25 252	\$ 597
Net increase (decrease) in cash for the year	3	1
Cash (bank overdraft), beginning of period	1	–
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 4	\$ 1
Interest received	\$ 22	\$ 8
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 354	\$ 2 590	\$ 1 492	\$ 493	\$ 10 670	\$ 10 127	\$ 586	\$ 383
INCREASE (DECREASE) IN NAV	407	357	187	128	1 325	1 406	70	67
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 818	746	975	1 100	3 246	1 289	121	217
Reinvestments of distributions to holders of redeemable units	311	25	144	11	976	195	35	6
Redemption of redeemable units	(240)	(339)	(193)	(229)	(1 225)	(2 150)	—	(76)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 889	432	926	882	2 997	(666)	156	147
Distributions from net income	(32)	(21)	(15)	(9)	(230)	(184)	(13)	(10)
Distributions from net gains	(283)	(4)	(130)	(2)	(753)	(13)	(41)	(1)
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(315)	(25)	(145)	(11)	(983)	(197)	(54)	(11)
NET INCREASE (DECREASE) IN NAV	1 981	764	968	999	3 339	543	172	203
NAV AT END OF PERIOD	\$ 5 335	\$ 3 354	\$ 2 460	\$ 1 492	\$ 14 009	\$ 10 670	\$ 758	\$ 586

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 526	\$ 276	\$ 16 628	\$ 13 869
INCREASE (DECREASE) IN NAV	2 200	72	4 189	2 030
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	21 315	485	27 475	3 837
Reinvestments of distributions to holders of redeemable units	1 815	14	3 281	251
Redemption of redeemable units	(550)	(307)	(2 208)	(3 101)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	22 580	192	28 548	987
Distributions from net income	(570)	(13)	(860)	(237)
Distributions from net gains	(1 245)	(1)	(2 452)	(21)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 815)	(14)	(3 312)	(258)
NET INCREASE (DECREASE) IN NAV	22 965	250	29 425	2 759
NAV AT END OF PERIOD	\$ 23 491	\$ 526	\$ 46 053	\$ 16 628

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

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing in a strategic asset mix of Canadian and foreign equities, Canadian fixed-income securities and money market instruments of companies that conduct themselves in a socially responsible manner.

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

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

Credit risk (%)

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Bonds	32.1	28.5	26.0
Canadian Equities	30.5	34.6	34.2
United States Equities	18.6	13.0	13.7
Overseas Equities	12.6	11.6	12.5
Cash/Other	6.2	12.3	13.6

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.5% (December 31, 2013 – 2.1%, January 1, 2013 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.2%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.5	+ or - 0.5
MSCI World ex Canada Total			
Return Net Index (CAD)	+ or - 0.5	+ or - 0.5	+ or - 0.6

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	45 140	–	–	45 140
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	1 002	–	1 002
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	45 140	1 002	–	46 142
% of total portfolio	97.8	2.2	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	15 516	–	–	15 516
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	1 125	–	1 125
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	15 516	1 125	–	16 641
% of total portfolio	93.2	6.8	–	100.0

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

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

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	13 189	–	–	13 189
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	649	–	649
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	13 189	649	–	13 838
% of total portfolio	95.3	4.7	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	45	43
Advisor Series	89	84
Series D	96	89
Series F	48	44
Series O	50	46
Value of all units	5	4

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Community Values Bond Fund	35.3	10.6	33.0	3.8
Phillips, Hager & North Community Values Canadian Equity Fund	31.1	19.6	34.8	9.8
Phillips, Hager & North Community Values Global Equity Fund	31.6	14.0	25.5	4.8
			January 1, 2013	
			NAV	Ownership
Phillips, Hager & North Community Values Bond Fund			33.2	3.1
Phillips, Hager & North Community Values Canadian Equity Fund			34.9	8.5
Phillips, Hager & North Community Values Global Equity Fund			27.0	4.7

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

The Fund had no capital or non-capital losses as at December 31, 2014.

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

Investment Management®

December 31, 2014

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	240	208
Issued number of units	123	56
Reinvested number of units	22	2
Redeemed number of units	(16)	(26)
Ending number of units	369	240
Advisor Series		
Opening units	107	40
Issued number of units	66	84
Reinvested number of units	10	1
Redeemed number of units	(13)	(18)
Ending number of units	170	107
Series D		
Opening units	773	822
Issued number of units	223	99
Reinvested number of units	68	14
Redeemed number of units	(83)	(162)
Ending number of units	981	773
Series F		
Opening units	42	31
Issued number of units	8	17
Reinvested number of units	2	–
Redeemed number of units	–	(6)
Ending number of units	52	42
Series O		
Opening units	38	22
Issued number of units	1 512	39
Reinvested number of units	127	1
Redeemed number of units	(37)	(24)
Ending number of units	1 640	38

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	16 628	13 869
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	16 628	13 869
December 31 2013		
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		2 030
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		2 030

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
728 133	Corus Entertainment Inc., Class B	\$ 14 496	\$ 16 711	
445 000	Magna International Inc., Class A	14 930	56 021	
1 100 000	Shaw Communications Inc., Class B	21 635	34 485	
666 064	Thomson Corp.	20 655	31 218	
		71 716	138 435	5.1
Consumer Staples				
100 000	George Weston Ltd.	7 127	10 035	
600 001	Loblaw Companies Ltd.	26 592	37 302	
		33 719	47 337	1.8
Energy				
780 000	ARC Resources Ltd.	16 519	19 625	
873 764	Bonavista Energy Corp.	18 407	6 377	
241 502	Bonterra Energy Corp.	10 820	10 058	
1 600 000	Canadian Natural Resources Ltd.	65 710	57 472	
1 150 000	Cardinal Energy Ltd.	14 385	15 537	
1 750 000	Cenovus Energy Inc.	53 054	41 948	
595 694	Crescent Point Energy Corp.	25 280	16 030	
1 610 000	Enbridge Inc.	33 088	96 181	
1 000 000	Encana Corp.	32 642	16 170	
600 000	Gibson Energy Inc.	12 052	16 314	
600 000	Husky Energy Inc.	17 239	16 500	
530 000	Inter Pipeline Ltd.	13 822	19 048	
100 000	Keyera Corp.	8 722	8 107	
566 911	Pembina Pipeline Corp.	16 830	24 003	
1 100 000	Pengrowth Energy Corp.	11 660	4 026	
418 300	PrairieSky Royalty Ltd.	14 262	12 800	
2 205 000	Suncor Energy Inc.	70 935	81 365	
1 200 000	TransCanada Corp.	46 778	68 520	
500 000	Veresen Inc.	8 250	9 180	
320 000	Vermilion Energy Inc.	16 515	18 240	
1 050 704	Whitecap Resources Inc.	13 465	12 020	
		520 435	569 521	21.2
Financials				
500 000	Alaris Royalty Corp.	12 272	17 680	
382 797	Allied Properties Real Estate Investment Trust	13 447	14 332	
1 205 900	Bank of Montreal	64 856	99 101	
2 150 000	Bank of Nova Scotia	117 612	142 567	
1 640 000	Brookfield Asset Management Inc., Class A	39 421	95 481	
750 000	Brookfield Property Partners LP	15 450	19 838	
680 000	Canadian Apartment Properties Real Estate Investment Trust	15 244	17 088	
931 450	Canadian Imperial Bank of Commerce	55 546	92 996	
1 370 000	CI Financial Corp.	30 520	44 237	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
800 000	First Capital Realty Inc.	\$ 11 125	\$ 14 928	
800 000	Great-West Lifeco Inc.	11 068	26 872	
385 000	Intact Financial Corp.	22 057	32 282	
3 350 000	Manulife Financial Corporation	64 624	74 303	
490 000	National Bank of Canada	16 052	24 226	
1 200 000	Power Corporation of Canada	20 480	38 112	
175 000	Power Financial Corp.	3 014	6 332	
285 250	RioCan Real Estate Investment Trust	7 499	7 539	
2 676 900	Royal Bank of Canada*	92 882	214 794	
1 065 000	Sun Life Financial Inc.	30 912	44 645	
3 550 000	Toronto-Dominion Bank	70 035	197 061	
		714 116	1 224 414	45.6
Health Care				
559 800	Medical Facilities Corp.	9 464	10 306	
		9 464	10 306	0.4
Industrials				
1 440 000	Canadian National Railway Co.	37 838	115 229	
125 000	Canadian Pacific Railway Ltd.	6 557	27 969	
300 000	Exchange Income Corp.	6 046	6 960	
430 000	Russel Metals Inc.	11 862	11 137	
457 600	WSP Global Inc.	15 612	15 952	
		77 915	177 247	6.6
Information Technology				
420 000	DH Corp.	9 299	15 401	
		9 299	15 401	0.6
Materials				
100 000	Agrium Inc.	6 429	11 000	
935 000	Barrick Gold Corp.	37 057	11 706	
2 757 200	Canexus Corp.	16 435	8 988	
725 000	Chemtrade Logistics Income Fund	13 933	15 008	
1 250 000	Goldcorp Inc.	46 387	26 888	
200 000	Labrador Iron Ore Royalty Corp.	6 468	3 720	
1 037 300	Potash Corporation of Saskatchewan Inc.	27 867	42 602	
550 000	Teck Resources Ltd., Class B	25 718	8 734	
		180 294	128 646	4.8
Telecommunication Services				
1 050 000	BCE Inc.	38 649	55 944	
375 000	Manitoba Telecom Services Inc.	10 706	10 159	
400 000	Rogers Communications Inc., Class B	11 910	18 068	
1 500 000	TELUS Corp.	40 877	62 835	
		102 142	147 006	5.5

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

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
1 530 000	Atco Ltd., Class I, Non-Voting	\$ 13 304	\$ 72 920	
460 000	Brookfield Infrastructure Partners LP	12 640	22 379	
550 000	Brookfield Renewable Energy Partners LP	13 562	19 745	
600 000	Canadian Utilities Ltd., Class A	16 769	24 546	
701 818	Crius Energy Trust	6 735	3 593	
585 937	Fortis Inc.	17 496	22 828	
1 100 000	Superior Plus Corp.	9 266	13 189	
850 000	TransAlta Corp.	10 886	8 942	
		<u>100 658</u>	<u>188 142</u>	7.0
TOTAL CANADIAN EQUITIES		1 819 758	2 646 455	98.6
SHORT-TERM INVESTMENTS†		32 610	32 612	1.2
TOTAL INVESTMENTS		\$1 852 368	2 679 067	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			4 839	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$2 683 906	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.08% to 1.23% and mature between January 2, 2015 and January 30, 2015.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 2 679 067	\$ 2 640 333	\$ 2 376 046
Cash	5	27	64
Due from investment dealers	–	–	9 285
Subscriptions receivable	1 161	543	579
Dividends receivable, interest accrued and other assets	6 859	6 756	7 681
TOTAL ASSETS	2 687 092	2 647 659	2 393 655
LIABILITIES			
Due to investment dealers	–	–	7 700
Redemptions payable	1 143	1 046	2 010
Accounts payable and accrued expenses	2 043	1 882	1 889
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
	3 186	2 928	11 599
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")			
	\$ 2 683 906	\$ 2 644 731	\$ 2 382 056
Investments at cost	\$ 1 852 368	\$ 1 927 075	\$ 1 941 053
NAV			
SERIES C	\$ 72 740	\$ 71 435	\$ 65 022
ADVISOR SERIES	\$ 7 596	\$ 7 258	\$ 4 887
SERIES D	\$ 1 801 970	\$ 1 780 315	\$ 1 765 567
SERIES F	\$ 29 891	\$ 25 654	\$ 21 181
SERIES O	\$ 771 709	\$ 760 069	\$ 525 399
NAV PER UNIT			
SERIES C	\$ 97.40	\$ 90.69	\$ 79.73
ADVISOR SERIES	\$ 97.42	\$ 90.70	\$ 79.73
SERIES D	\$ 96.54	\$ 89.87	\$ 78.98
SERIES F	\$ 97.28	\$ 90.51	\$ 79.53
SERIES O	\$ 95.08	\$ 88.43	\$ 77.63

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 88 752	\$ 82 279
Interest for distribution purposes	1 629	1 525
Other income (loss)	1 473	738
Net realized gain (loss) on investments	86 993	40 696
Net gain (loss) on foreign currencies and other net assets	256	(13)
Change in unrealized gain (loss) on investments	113 441	278 265
TOTAL INCOME (LOSS)	292 544	403 490
EXPENSES (see notes – Fund Specific Information)		
Management fees	19 957	18 719
Administration fees	1 373	1 266
Board of Governors costs	3	3
GST/HST	1 934	1 904
Transaction costs	547	465
Withholding tax	16	–
TOTAL EXPENSES	23 830	22 357
INCREASE (DECREASE) IN NAV	\$ 268 714	\$ 381 133
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 6 230	\$ 9 633
ADVISOR SERIES	\$ 658	\$ 926
SERIES D	\$ 173 633	\$ 258 510
SERIES F	\$ 2 567	\$ 3 569
SERIES O	\$ 85 626	\$ 108 495
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 8.31	\$ 12.11
ADVISOR SERIES	\$ 8.31	\$ 12.05
SERIES D	\$ 9.06	\$ 12.73
SERIES F	\$ 9.37	\$ 13.02
SERIES O	\$ 9.99	\$ 13.48

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 268 714	\$ 381 133
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(86 993)	(40 662)
Change in unrealized loss (gain) on investments	(113 441)	(278 265)
(Increase) decrease in accrued receivables	(103)	10 210
Increase (decrease) in accrued payables	161	(7 707)
Cost of investments purchased	(2 233 168)	(2 517 024)
Proceeds on sales of investments	2 394 868	2 571 664
NET CASH PROVIDED BY OPERATING ACTIVITIES	230 038	119 349
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	172 440	311 876
Cash paid on redemption of redeemable units	(389 699)	(421 563)
Distributions paid to holders of redeemable units	(12 801)	(9 699)
NET CASH USED IN FINANCING ACTIVITIES	\$ (230 060)	\$ (119 386)
Net increase (decrease) in cash for the year	(22)	(37)
Cash (bank overdraft), beginning of period	27	64
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 5	\$ 27
Interest received	\$ 1 649	\$ 1 527
Dividends received, net of withholding taxes	\$ 90 096	\$ 83 940

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 71 435	\$ 65 022	\$ 7 258	\$ 4 887	\$ 1 780 315	\$ 1 765 567	\$ 25 654	\$ 21 181
INCREASE (DECREASE) IN NAV	6 230	9 633	658	926	173 633	258 510	2 567	3 569
Early redemption fees	1	—	—	—	1	1	—	—
Proceeds from redeemable units issued	11 661	13 728	1 905	3 581	71 617	88 646	5 508	5 908
Reinvestments of distributions to holders of redeemable units	1 013	783	111	81	40 055	32 601	658	505
Redemption of redeemable units	(16 500)	(16 893)	(2 222)	(2 133)	(220 558)	(329 918)	(3 767)	(4 969)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(3 825)	(2 382)	(206)	1 529	(108 885)	(208 670)	2 399	1 444
Distributions from net income	(875)	(838)	(91)	(84)	(37 443)	(35 092)	(637)	(540)
Distributions from net gains	(225)	—	(23)	—	(5 650)	—	(92)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 100)	(838)	(114)	(84)	(43 093)	(35 092)	(729)	(540)
NET INCREASE (DECREASE) IN NAV	1 305	6 413	338	2 371	21 655	14 748	4 237	4 473
NAV AT END OF PERIOD	\$ 72 740	\$ 71 435	\$ 7 596	\$ 7 258	\$ 1 801 970	\$ 1 780 315	\$ 29 891	\$ 25 654

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 760 069	\$ 525 399	\$ 2 644 731	\$ 2 382 056
INCREASE (DECREASE) IN NAV	85 626	108 495	268 714	381 133
Early redemption fees	—	—	2	1
Proceeds from redeemable units issued	82 367	199 977	173 058	311 840
Reinvestments of distributions to holders of redeemable units	17 627	13 997	59 464	47 967
Redemption of redeemable units	(146 751)	(66 687)	(389 798)	(420 600)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(46 757)	147 287	(157 274)	(60 792)
Distributions from net income	(24 774)	(21 112)	(63 820)	(57 666)
Distributions from net gains	(2 455)	—	(8 445)	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(27 229)	(21 112)	(72 265)	(57 666)
NET INCREASE (DECREASE) IN NAV	11 640	234 670	39 175	262 675
NAV AT END OF PERIOD	\$ 771 709	\$ 760 069	\$ 2 683 906	\$ 2 644 731

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing primarily in a well-diversified portfolio of dividend income-producing Canadian securities that have a relatively high yield.

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Financials	45.5	43.6	40.4
Energy	21.2	22.5	22.4
Industrials	7.1	4.7	5.2
Utilities	6.5	6.2	6.1
Telecommunication Services	5.5	5.7	5.1
Consumer Discretionary	5.2	4.5	5.0
Materials	4.8	4.3	7.2
Consumer Staples	1.8	3.0	2.4
Information Technology	0.6	1.2	0.4
Health Care	0.4	0.2	0.3
Cash/Other	1.4	4.1	5.5

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.8	+ or - 0.8	+ or - 0.8

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	2 646 455	–	–	2 646 455
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	32 612	–	32 612
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 646 455	32 612	–	2 679 067
% of total portfolio	98.8	1.2	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	2 537 782	–	–	2 537 782
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	102 551	–	102 551
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 537 782	102 551	–	2 640 333
% of total portfolio	96.1	3.9	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	2 252 019	–	–	2 252 019
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	124 027	–	124 027
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 252 019	124 027	–	2 376 046
% of total portfolio	94.8	5.2	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

December 31, 2014

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	7	7
Advisor Series	14	14
Series D	8	7
Series F	8	7
Series O	8	8
Value of all units	4	4

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

	December 31 2014	December 31 2013
Series C		
Opening units	788	816
Issued number of units	120	164
Reinvested number of units	10	9
Redeemed number of units	(171)	(201)
Ending number of units	747	788

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	80	61
Issued number of units	20	43
Reinvested number of units	1	1
Redeemed number of units	(23)	(25)
Ending number of units	78	80
Series D		
Opening units	19 809	22 355
Issued number of units	754	1 060
Reinvested number of units	418	381
Redeemed number of units	(2 316)	(3 987)
Ending number of units	18 665	19 809
Series F		
Opening units	283	266
Issued number of units	57	70
Reinvested number of units	7	6
Redeemed number of units	(40)	(59)
Ending number of units	307	283
Series O		
Opening units	8 596	6 768
Issued number of units	878	2 469
Reinvested number of units	187	167
Redeemed number of units	(1 544)	(808)
Ending number of units	8 117	8 596

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	547	100	465	100
Related-party brokerage commissions*	42	8	72	15
Commission arrangements†	15	3	33	7

* See note 7 in the generic notes.

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

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	2 643 929	2 378 166
Revaluation of investments at FVTPL	802	3 890
Net assets attributable to holders of redeemable units	2 644 731	2 382 056
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		384 221
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(3 088)
Increase (decrease) in net assets attributable to holders of redeemable units		381 133

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
157 538	Dollarama Inc.	\$ 7 295	\$ 9 358	
111 151	Gildan Activewear Inc., Class A	4 355	7 303	
127 640	Magna International Inc., Class A	4 959	16 069	
141 752	Restaurant Brands International Inc.	6 001	6 450	
237 687	Shaw Communications Inc., Class B	4 939	7 451	
304 380	Thomson Corp.	10 386	14 266	
		37 935	60 897	5.1
Consumer Staples				
413 907	Alimentation Couche-Tard Inc.	6 846	20 153	
85 001	Empire Co. Ltd., Class A	6 050	7 448	
104 239	Loblaws Companies Ltd.	4 735	6 481	
184 280	Saputo Group Inc.	1 970	6 435	
		19 601	40 517	3.4
Energy				
653 819	ARC Resources Ltd.	15 561	16 450	
418 449	Cameco Corp.	12 509	7 971	
987 243	Canadian Natural Resources Ltd.	35 199	35 462	
1 036 919	Cenovus Energy Inc.	28 363	24 856	
670 252	Crescent Point Energy Corp.	27 636	18 037	
798 196	Enbridge Inc.	34 993	47 684	
921 796	Encana Corp.	19 245	14 905	
54 550	Keyera Corp.	4 023	4 422	
114 700	MEG Energy Corp.	2 821	2 242	
63 806	PrairieSky Royalty Ltd.	2 253	1 952	
838 000	Precision Drilling Corp.	6 859	5 916	
107 300	Seven Generations Energy Ltd.	1 984	1 877	
974 852	Suncor Energy Inc.	30 217	35 972	
633 104	Talisman Energy Inc.	8 479	5 761	
119 216	Tourmaline Oil Corp.	4 113	4 614	
508 797	TransCanada Corp.	25 195	29 052	
		259 450	257 173	21.6
Financials				
302 163	Bank of Montreal	20 255	24 832	
1 046 280	Bank of Nova Scotia	55 900	69 379	
564 660	Brookfield Asset Management Inc., Class A	17 576	32 875	
81 300	Brookfield Property Partners LP	1 958	2 150	
147 191	Canadian Imperial Bank of Commerce	13 218	14 696	
175 630	CI Financial Corp.	5 642	5 671	
169 961	Industrial Alliance Insurance & Financial Services Inc.	7 575	7 551	
82 996	Intact Financial Corp.	5 351	6 959	
1 709 669	Manulife Financial Corporation	30 253	37 920	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
240 400	Manulife Financial Corporation, Subscription Receipts	\$ 5 169	\$ 5 322	
252 792	Power Corporation of Canada	6 457	8 029	
1 078 323	Royal Bank of Canada*	48 670	86 525	
98 094	Sun Life Financial Inc.	3 620	4 112	
1 593 255	Toronto-Dominion Bank	35 383	88 442	
		257 027	394 463	33.1
Health Care				
195 391	Catamaran Corp.	8 756	11 747	
229 569	Valeant Pharmaceuticals International Inc.	16 177	38 184	
		24 933	49 931	4.2
Industrials				
574 680	Canadian National Railway Co.	9 222	45 986	
422 977	Finning International Inc.	9 992	10 672	
267 226	SNC-Lavalin Group Inc.	13 206	11 841	
		32 420	68 499	5.8
Information Technology				
318 449	CGI Group Inc., Class A	8 468	14 104	
73 976	Open Text Corp.	3 886	5 002	
		12 354	19 106	1.6
Materials				
187 905	Agnico Eagle Mines Ltd.	6 652	5 434	
131 917	Agrium Inc.	8 970	14 511	
933 828	B2Gold Corp.	2 930	1 774	
195 000	Barrick Gold Corp.	6 036	2 441	
224 900	Continental Gold Ltd.	1 796	416	
129 250	Detour Gold Corp.	2 238	1 227	
92 400	Dundee Precious Metals Inc.	947	253	
605 100	Eldorado Gold Corp.	7 496	4 284	
402 607	First Quantum Minerals Ltd.	7 993	6 647	
90 800	Franco-Nevada Corp.	3 970	5 195	
436 850	Goldcorp Inc.	17 967	9 397	
235 000	Mountain Province Diamonds Inc.	1 240	1 140	
301 800	New Gold Inc.	2 952	1 503	
63 212	Osisko Gold Royalties Ltd.	1 002	1 035	
337 900	Primero Mining Corp.	2 198	1 510	
577 730	Potash Corporation of Saskatchewan Inc.	12 278	23 727	
512 900	Rio Alto Mining Ltd.	1 456	1 446	
523 400	Semafo Inc.	1 974	1 560	
227 100	Silver Wheaton Corp.	7 577	5 366	
65 916	Tahoe Resources Inc.	1 239	1 065	
319 221	Teck Resources Ltd., Class B	14 833	5 069	
1 127 600	Torex Gold Resources Inc.	2 255	1 387	
847 354	Turquoise Hill Resources Ltd.	5 706	3 042	
		121 705	99 429	8.3

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

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
325 547	Rogers Communications Inc., Class B	\$ 9 658	\$ 14 705	
488 926	TELUS Corp.	12 453	20 481	
		<u>22 111</u>	<u>35 186</u>	<u>3.0</u>
Utilities				
185 001	Fortis Inc.	6 370	7 208	
		<u>6 370</u>	<u>7 208</u>	<u>0.6</u>
TOTAL CANADIAN EQUITIES		<u>793 906</u>	<u>1 032 409</u>	<u>86.7</u>
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
5 995 807	Phillips, Hager & North Small Float Fund*	\$ 94 607	\$ 148 978	
TOTAL MUTUAL FUND UNITS		<u>94 607</u>	<u>148 978</u>	<u>12.5</u>
SHORT-TERM INVESTMENTS†		<u>7 430</u>	<u>7 430</u>	<u>0.6</u>
TOTAL INVESTMENTS		<u>\$ 895 943</u>	<u>1 188 817</u>	<u>99.8</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>2 173</u>	<u>0.2</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$1 190 990</u>	<u>100.0</u>

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.16% and mature between January 2, 2015 and January 5, 2015.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 1 188 817	\$ 1 237 017	\$ 1 234 391
Cash	608	582	461
Due from investment dealers	10 265	311	–
Subscriptions receivable	377	956	781
Dividends receivable, interest accrued and other assets	1 631	1 743	2 521
TOTAL ASSETS	1 201 698	1 240 609	1 238 154
LIABILITIES			
Redemptions payable	10 115	554	808
Accounts payable and accrued expenses	593	539	613
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	10 708	1 093	1 421
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 190 990	\$ 1 239 516	\$ 1 236 733
Investments at cost	\$ 895 943	\$ 945 875	\$ 1 096 553
NAV			
SERIES C	\$ 14 195	\$ 12 632	\$ 13 022
ADVISOR SERIES	\$ 1 445	\$ 983	\$ 405
SERIES D	\$ 532 249	\$ 521 091	\$ 576 966
SERIES F	\$ 7 413	\$ 6 369	\$ 5 747
SERIES O	\$ 635 688	\$ 698 441	\$ 640 593
NAV PER UNIT			
SERIES C	\$ 94.27	\$ 91.45	\$ 78.11
ADVISOR SERIES	\$ 94.29	\$ 91.46	\$ 78.11
SERIES D	\$ 91.51	\$ 88.91	\$ 75.94
SERIES F	\$ 93.41	\$ 90.62	\$ 77.40
SERIES O	\$ 91.06	\$ 88.46	\$ 75.56

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 29 268	\$ 28 166
Interest for distribution purposes	75	61
Other income received from underlying funds	2 360	2 894
Net realized gain (loss) on investments	117 151	36 875
Net gain (loss) on foreign currencies and other net assets	(18)	(12)
Change in unrealized gain (loss) on investments	1 732	153 304
TOTAL INCOME (LOSS)	150 568	221 288
EXPENSES (see notes – Fund Specific Information)		
Management fees	5 785	5 484
Administration fees	491	462
Board of Governors costs	3	3
GST/HST	522	528
Transaction costs	879	692
TOTAL EXPENSES	7 680	7 169
INCREASE (DECREASE) IN NAV	\$ 142 888	\$ 214 119
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 1 235	\$ 2 045
ADVISOR SERIES	\$ 84	\$ 127
SERIES D	\$ 56 736	\$ 88 968
SERIES F	\$ 697	\$ 1 034
SERIES O	\$ 84 136	\$ 121 945
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 9.68	\$ 13.72
ADVISOR SERIES	\$ 9.71	\$ 13.61
SERIES D	\$ 10.27	\$ 14.05
SERIES F	\$ 10.71	\$ 14.57
SERIES O	\$ 11.34	\$ 15.00

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 142 888	\$ 214 119
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(117 150)	(36 847)
Change in unrealized loss (gain) on investments	(1 732)	(153 304)
(Increase) decrease in accrued receivables	(9 842)	467
Increase (decrease) in accrued payables	54	(74)
Cost of investments purchased	(1 179 160)	(915 628)
Proceeds on sales of investments	1 346 242	1 103 153
NET CASH PROVIDED BY OPERATING ACTIVITIES	181 300	211 886
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	98 270	137 231
Cash paid on redemption of redeemable units	(268 513)	(346 672)
Distributions paid to holders of redeemable units	(11 031)	(2 324)
NET CASH USED IN FINANCING ACTIVITIES	\$ (181 274)	\$ (211 765)
Net increase (decrease) in cash for the year	26	121
Cash (bank overdraft), beginning of period	582	461
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 608	\$ 582
Interest received	\$ 75	\$ 63
Dividends received, net of withholding taxes	\$ 29 379	\$ 28 943

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 12 632	\$ 13 022	\$ 983	\$ 405	\$ 521 091	\$ 576 966	\$ 6 369	\$ 5 747
INCREASE (DECREASE) IN NAV	1 235	2 045	84	127	56 736	88 968	697	1 034
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	4 620	2 053	879	535	26 832	18 780	1 517	1 329
Reinvestments of distributions to holders of redeemable units	867	62	88	5	37 551	6 752	503	94
Redemption of redeemable units	(4 271)	(4 487)	(497)	(84)	(71 212)	(163 415)	(1 134)	(1 737)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 216	(2 372)	470	456	(6 829)	(137 883)	886	(314)
Distributions from net income	(84)	(63)	(9)	(5)	(7 609)	(6 960)	(119)	(98)
Distributions from net gains	(804)	—	(83)	—	(31 140)	—	(420)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(888)	(63)	(92)	(5)	(38 749)	(6 960)	(539)	(98)
NET INCREASE (DECREASE) IN NAV	1 563	(390)	462	578	11 158	(55 875)	1 044	622
NAV AT END OF PERIOD	\$ 14 195	\$ 12 632	\$ 1 445	\$ 983	\$ 532 249	\$ 521 091	\$ 7 413	\$ 6 369

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 698 441	\$ 640 593	\$ 1 239 516	\$ 1 236 733
INCREASE (DECREASE) IN NAV	84 136	121 945	142 888	214 119
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	63 843	114 709	97 691	137 406
Reinvestments of distributions to holders of redeemable units	44 251	14 778	83 260	21 691
Redemption of redeemable units	(200 960)	(176 695)	(278 074)	(346 418)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(92 866)	(47 208)	(97 123)	(187 321)
Distributions from net income	(16 141)	(16 889)	(23 962)	(24 015)
Distributions from net gains	(37 882)	—	(70 329)	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(54 023)	(16 889)	(94 291)	(24 015)
NET INCREASE (DECREASE) IN NAV	(62 753)	57 848	(48 526)	2 783
NAV AT END OF PERIOD	\$ 635 688	\$ 698 441	\$ 1 190 990	\$ 1 239 516

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

December 31, 2014

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 primarily in a well-diversified portfolio of common shares of Canadian companies.

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Financials	35.3	35.0	31.7
Energy	23.4	23.4	23.8
Materials	9.4	10.4	17.1
Industrials	8.4	8.1	9.2
Consumer Discretionary	8.2	8.5	7.5
Health Care	4.2	3.1	1.9
Consumer Staples	3.7	3.7	2.1
Telecommunication Services	3.0	3.3	3.6
Information Technology	3.0	3.2	1.9
Utilities	0.6	–	–
Index Funds	–	0.5	–
Cash/Other	0.8	0.8	1.2

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.0	+ or - 1.1	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	1 032 409	–	–	1 032 409
Mutual fund units	148 978	–	–	148 978
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	7 430	–	7 430
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 181 387	7 430	–	1 188 817
% of total portfolio	99.4	0.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 032 587	–	–	1 032 587
Mutual fund units	197 046	–	–	197 046
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	7 384	–	7 384
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 229 633	7 384	–	1 237 017
% of total portfolio	99.4	0.6	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 033 925	–	–	1 033 925
Mutual fund units	187 786	–	–	187 786
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	12 680	–	12 680
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 221 711	12 680	–	1 234 391
% of total portfolio	99.0	1.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

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

December 31, 2014

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	7	7
Advisor Series	14	13
Series D	8	7
Series F	8	7
Value of all units	3	3

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Small Float Fund	12.5	56.7	15.9	60.9
			January 1, 2013	
			NAV	Ownership
Phillips, Hager & North				
Small Float Fund			15.2	65.6

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

The Fund had no capital or non-capital losses as at December 31, 2014.

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

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	138	167
Issued number of units	46	24
Reinvested number of units	9	1
Redeemed number of units	(42)	(54)
Ending number of units	151	138
Advisor Series		
Opening units	11	5
Issued number of units	8	7
Reinvested number of units	1	–
Redeemed number of units	(5)	(1)
Ending number of units	15	11
Series D		
Opening units	5 861	7 597
Issued number of units	279	232
Reinvested number of units	414	77
Redeemed number of units	(738)	(2 045)
Ending number of units	5 816	5 861
Series F		
Opening units	70	74
Issued number of units	16	16
Reinvested number of units	5	1
Redeemed number of units	(12)	(21)
Ending number of units	79	70
Series O		
Opening units	7 896	8 478
Issued number of units	666	1 440
Reinvested number of units	490	170
Redeemed number of units	(2 071)	(2 192)
Ending number of units	6 981	7 896

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	879	100	692	100
Related-party brokerage commissions*	91	10	56	8
Commission arrangements†	34	4	36	5

* See note 7 in the generic notes.

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

December 31, 2014

Investments by other related investment funds (%)
(see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
Phillips, Hager & North PRisM Balanced Fund	–	1.8
Phillips, Hager & North Enhanced Long Government Bond Fund	–	0.1
Total	–	1.9

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	1 239 180	1 234 878
Revaluation of investments at FVTPL	336	1 855
Net assets attributable to holders of redeemable units	1 239 516	1 236 733

	December 31 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	215 638
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)	(1 519)
Increase (decrease) in net assets attributable to holders of redeemable units	214 119

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
7 225	BRP Inc.	\$ 170	\$ 175	
3 800	Cineplex Inc.	103	170	
12 400	Dollarama Inc.	335	737	
5 200	easyhome Ltd.	122	104	
7 100	Gildan Activewear Inc., Class A	286	466	
9 000	Leon's Furniture Ltd.	116	161	
4 800	Linamar Corp.	171	341	
9 800	Magna International Inc., Class A	472	1 234	
10 500	Quebecor Inc., Class B	229	335	
13 655	Restaurant Brands International Inc.	570	621	
40 200	RONA Inc.	499	557	
15 700	Shaw Communications Inc., Class B	334	492	
21 136	Thomson Corp.	762	991	
		4 169	6 384	8.7
Consumer Staples				
5 000	Empire Co. Ltd., Class A	354	438	
9 600	Loblaws Companies Ltd.	419	597	
13 100	Maple Leaf Foods Inc.	230	255	
16 400	Saputo Group Inc.	242	573	
		1 245	1 863	2.6
Energy				
40 500	ARC Resources Ltd.	1 011	1 019	
31 600	Calfrac Well Services Ltd.	458	316	
24 700	Cameco Corp.	649	471	
63 200	Canadian Natural Resources Ltd.	2 281	2 270	
65 841	Cenovus Energy Inc.	1 999	1 578	
40 400	Crescent Point Energy Corp.	1 655	1 087	
54 541	Encana Corp.	1 182	882	
3 000	Keyera Corp.	221	243	
6 900	MEG Energy Corp.	170	135	
9 420	PrairieSky Royalty Ltd.	319	288	
49 800	Precision Drilling Corp.	407	352	
7 500	Secure Energy Services Inc.	114	127	
8 900	Seven Generations Energy Ltd.	165	156	
58 721	Suncor Energy Inc.	2 032	2 167	
35 700	Talisman Energy Inc.	464	325	
7 300	Tourmaline Oil Corp.	257	283	
30 500	TransCanada Corp.	1 521	1 742	
17 700	Trilogy Energy Corp.	465	140	
52 800	Trinidad Drilling Ltd.	444	275	
		15 814	13 856	19.0
Financials				
3 300	Allied Properties Real Estate Investment Trust	116	124	
8 800	Altus Group Ltd.	179	183	
19 900	Bank of Montreal	1 337	1 635	
61 479	Bank of Nova Scotia	3 348	4 077	
34 200	Brookfield Asset Management Inc., Class A	1 108	1 991	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
4 800	Brookfield Property Partners LP	\$ 116	\$ 127	
11 000	Canaccord Genuity Group Inc.	79	86	
9 500	Canadian Imperial Bank of Commerce	851	948	
19 000	CI Financial Corp.	494	614	
37 200	Element Financial Corp.	331	526	
2 900	First Service Corp.	92	172	
41 964	Great-West Lifeco Inc.	1 083	1 410	
5 500	Home Capital Group Inc.	139	264	
9 800	Industrial Alliance Insurance & Financial Services Inc.	345	435	
5 600	Intact Financial Corp.	363	470	
104 694	Manulife Financial Corporation	2 012	2 322	
13 600	Manulife Financial Corporation, Subscription Receipts	292	301	
15 179	Power Corporation of Canada	416	482	
64 305	Royal Bank of Canada*	3 323	5 160	
5 700	Sun Life Financial Inc.	210	239	
35 900	The Westaim Corp.	95	109	
92 620	Toronto-Dominion Bank	2 866	5 141	
		19 195	26 816	36.8
Health Care				
10 800	Catamaran Corp.	494	649	
13 600	Valeant Pharmaceuticals International Inc.	1 048	2 262	
		1 542	2 911	4.0
Industrials				
14 800	Badger Daylighting Ltd.	265	391	
7 000	Boyd Group Income Fund	224	333	
40 038	Canadian National Railway Co.	1 180	3 204	
22 700	Finning International Inc.	544	573	
2 400	MacDonald Dettwiler & Associates Ltd.	159	228	
5 700	Richelieu Hardware Ltd.	178	325	
2 600	Stantec Inc.	43	83	
13 400	Toromont Industries Ltd.	275	382	
6 300	WSP Global Inc.	226	220	
		3 094	5 739	7.9
Information Technology				
16 500	CGI Group Inc., Class A	453	731	
900	Constellation Software Inc.	117	311	
14 400	Descartes Systems Group Inc.	213	248	
5 500	DH Corp.	142	202	
8 400	Kinaxis Inc.	109	155	
4 304	Open Text Corp.	149	291	
		1 183	1 938	2.7

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

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

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
15 800	Agnico Eagle Mines Ltd.	\$ 511	\$ 457	
7 540	Agrium Inc.	553	829	
1 900	CCL Industries, Class B	71	239	
47 900	Eldorado Gold Corp.	657	339	
22 700	First Quantum Minerals Ltd.	449	375	
7 900	Franco-Nevada Corp.	335	452	
101 300	Polaris Minerals Corp.	173	230	
34 200	Potash Corporation of Saskatchewan Inc.	1 671	1 405	
25 000	Rio Alto Mining Ltd.	70	71	
9 200	Silver Wheaton Corp.	313	217	
4 700	Stella-Jones Inc.	84	154	
18 900	Teck Resources Ltd., Class B	821	300	
10 200	Yamana Gold Inc.	139	48	
		<u>5 847</u>	<u>5 116</u>	7.0
Telecommunication Services				
28 200	BCE Inc.	1 208	1 502	
26 044	Rogers Communications Inc., Class B	918	1 176	
37 936	TELUS Corp.	891	1 589	
		<u>3 017</u>	<u>4 267</u>	5.8
Utilities				
11 700	Fortis Inc.	415	456	
3 200	Superior Plus Corp.	37	38	
		<u>452</u>	<u>494</u>	0.7
Other				
94 100	iShares S&P/TSX 60 Index Fund	1 923	2 020	
		<u>1 923</u>	<u>2 020</u>	2.8
TOTAL CANADIAN EQUITIES		<u>57 481</u>	<u>71 404</u>	98.0
SHORT-TERM INVESTMENTS†		<u>750</u>	<u>750</u>	1.0
TOTAL INVESTMENTS		<u>\$ 58 231</u>	<u>72 154</u>	99.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>758</u>	1.0
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$ 72 912</u>	<u>100.0</u>	

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.16% and mature on January 2, 2015.

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

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 72 154	\$ 58 962	\$ 56 998
Cash	71	83	120
Due from investment dealers	650	–	–
Subscriptions receivable	66	3	4
Dividends receivable, interest accrued and other assets	153	123	166
TOTAL ASSETS	73 094	59 171	57 288
LIABILITIES			
Redemptions payable	150	164	102
Accounts payable and accrued expenses	32	25	24
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	182	189	126
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 72 912	\$ 58 982	\$ 57 162
Investments at cost	\$ 58 231	\$ 46 205	\$ 51 853
NAV			
SERIES C	\$ 1 218	\$ 1 092	\$ 922
ADVISOR SERIES	\$ 706	\$ 451	\$ 113
SERIES D	\$ 20 215	\$ 18 305	\$ 17 966
SERIES F	\$ 738	\$ 595	\$ 409
SERIES O	\$ 50 035	\$ 38 539	\$ 37 752
NAV PER UNIT			
SERIES C	\$ 24.44	\$ 23.49	\$ 19.84
ADVISOR SERIES	\$ 24.43	\$ 23.49	\$ 19.84
SERIES D	\$ 24.27	\$ 23.34	\$ 19.71
SERIES F	\$ 24.60	\$ 23.64	\$ 19.97
SERIES O	\$ 24.42	\$ 23.46	\$ 19.82

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 892	\$ 1 523
Interest for distribution purposes	8	8
Other income (loss)	5	–
Net realized gain (loss) on investments	5 243	1 881
Net gain (loss) on foreign currencies and other net assets	(1)	(1)
Change in unrealized gain (loss) on investments	1 166	7 612
TOTAL INCOME (LOSS)	8 313	11 023
EXPENSES (see notes – Fund Specific Information)		
Management fees	239	201
Administration fees	72	53
Board of Governors costs	3	3
GST/HST	27	25
Transaction costs	58	47
TOTAL EXPENSES	399	329
INCREASE (DECREASE) IN NAV	\$ 7 914	\$ 10 694
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 103	\$ 164
ADVISOR SERIES	\$ 50	\$ 58
SERIES D	\$ 2 005	\$ 3 209
SERIES F	\$ 68	\$ 103
SERIES O	\$ 5 688	\$ 7 160
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 2.40	\$ 3.87
ADVISOR SERIES	\$ 2.39	\$ 3.86
SERIES D	\$ 2.61	\$ 4.03
SERIES F	\$ 2.72	\$ 4.19
SERIES O	\$ 2.92	\$ 4.31

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 7 914	\$ 10 694
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(5 243)	(1 881)
Change in unrealized loss (gain) on investments	(1 166)	(7 612)
(Increase) decrease in accrued receivables	(680)	43
Increase (decrease) in accrued payables	7	1
Cost of investments purchased	(124 819)	(80 739)
Proceeds on sales of investments	118 036	88 268
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5 951)	8 774
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	17 457	9 354
Cash paid on redemption of redeemable units	(10 707)	(17 964)
Distributions paid to holders of redeemable units	(811)	(201)
NET CASH USED IN FINANCING ACTIVITIES	\$ 5 939	\$ (8 811)
Net increase (decrease) in cash for the year	(12)	(37)
Cash (bank overdraft), beginning of period	83	120
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 71	\$ 83
Interest received	\$ 8	\$ 8
Dividends received, net of withholding taxes	\$ 1 867	\$ 1 565

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 092	\$ 922	\$ 451	\$ 113	\$ 18 305	\$ 17 966	\$ 595	\$ 409
INCREASE (DECREASE) IN NAV	103	164	50	58	2 005	3 209	68	103
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	365	331	240	344	2 740	1 609	142	203
Reinvestments of distributions to holders of redeemable units	69	6	33	2	1 151	246	29	9
Redemption of redeemable units	(342)	(325)	(31)	(63)	(2 755)	(4 466)	(48)	(119)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	92	12	242	283	1 136	(2 611)	123	93
Distributions from net income	(6)	(6)	(3)	(3)	(260)	(259)	(12)	(10)
Distributions from net gains	(63)	–	(34)	–	(971)	–	(36)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(69)	(6)	(37)	(3)	(1 231)	(259)	(48)	(10)
NET INCREASE (DECREASE) IN NAV	126	170	255	338	1 910	339	143	186
NAV AT END OF PERIOD	\$ 1 218	\$ 1 092	\$ 706	\$ 451	\$ 20 215	\$ 18 305	\$ 738	\$ 595

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 38 539	\$ 37 752	\$ 58 982	\$ 57 162
INCREASE (DECREASE) IN NAV	5 688	7 160	7 914	10 694
Early redemption fees	–	–	–	–
Proceeds from redeemable units issued	14 033	6 866	17 520	9 353
Reinvestments of distributions to holders of redeemable units	2 878	766	4 160	1 029
Redemption of redeemable units	(7 517)	(13 053)	(10 693)	(18 026)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	9 394	(5 421)	10 987	(7 644)
Distributions from net income	(1 176)	(952)	(1 457)	(1 230)
Distributions from net gains	(2 410)	–	(3 514)	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3 586)	(952)	(4 971)	(1 230)
NET INCREASE (DECREASE) IN NAV	11 496	787	13 930	1 820
NAV AT END OF PERIOD	\$ 50 035	\$ 38 539	\$ 72 912	\$ 58 982

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

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

December 31, 2014

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 primarily in common shares of high-quality Canadian companies.

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

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.0% (December 31, 2013 – 0.0%, January 1, 2013 – 0.5%) of the net assets of the Fund.

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	36.7	38.0	35.3
Energy	18.9	20.9	20.9
Consumer Discretionary	8.8	9.1	7.2
Industrials	7.9	7.6	6.9
Materials	7.0	8.0	13.9
Telecommunication Services	5.9	7.0	8.5
Health Care	4.0	3.1	2.0
Index Funds	2.8	0.4	–
Information Technology	2.7	3.5	2.0
Consumer Staples	2.6	1.8	1.1
Utilities	0.6	–	–
Cash/Other	2.1	0.6	2.2

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.0	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

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

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	71 404	–	–	71 404
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	750	–	750
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	71 404	750	–	72 154
% of total portfolio	99.0	1.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	58 762	–	–	58 762
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	200	–	200
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	58 762	200	–	58 962
% of total portfolio	99.7	0.3	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	55 727	271	–	55 998
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 000	–	1 000
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	55 727	1 271	–	56 998
% of total portfolio	97.8	2.2	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

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

Investment Management®

December 31, 2014

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	28	27
Advisor Series	56	53
Series D	59	55
Series F	30	28
Series O	31	29
Value of all units	5	4

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

	2014	2013
For the periods ended December 31 (see note 2 in the generic notes)		
Series C		
Opening units	46	46
Issued number of units	15	15
Reinvested number of units	3	–
Redeemed number of units	(14)	(15)
Ending number of units	50	46

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	19	6
Issued number of units	10	16
Reinvested number of units	1	–
Redeemed number of units	(1)	(3)
Ending number of units	29	19
Series D		
Opening units	784	911
Issued number of units	110	75
Reinvested number of units	48	11
Redeemed number of units	(109)	(213)
Ending number of units	833	784
Series F		
Opening units	25	21
Issued number of units	6	10
Reinvested number of units	1	–
Redeemed number of units	(2)	(6)
Ending number of units	30	25
Series O		
Opening units	1 642	1 905
Issued number of units	579	325
Reinvested number of units	119	33
Redeemed number of units	(291)	(621)
Ending number of units	2 049	1 642

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	58	100	47	100
Related-party brokerage commissions*	5	9	3	6
Commission arrangements†	4	7	2	4

* See note 7 in the generic notes.

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

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

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

December 31, 2014

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014	December 31 2013
Phillips, Hager & North Community Values Balanced Fund	19.6	9.8
Total	19.6	9.8

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	58 955	57 048
Revaluation of investments at FVTPL	27	114
Net assets attributable to holders of redeemable units	58 982	57 162

	December 31 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	10 781
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)	(87)
Increase (decrease) in net assets attributable to holders of redeemable units	10 694

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
68 568	Magna International Inc., Class A	\$ 3 425	\$ 8 632	
211 336	Quebecor Inc., Class B	5 482	6 750	
370 046	Shaw Communications Inc., Class B	8 098	11 601	
263 249	Thomson Corp.	7 430	12 338	
		24 435	39 321	4.4
Consumer Staples				
202 848	Alimentation Couche-Tard Inc.	5 159	9 877	
273 796	Loblaw Companies Ltd.	12 695	17 022	
367 389	Maple Leaf Foods Inc.	6 217	7 153	
		24 071	34 052	3.8
Energy				
75 808	AltaGas Ltd.	3 024	3 286	
348 963	ARC Resources Ltd.	9 972	8 780	
221 768	Bonavista Energy Corp.	3 260	1 620	
256 650	Cameco Corp.	5 618	4 889	
730 875	Canadian Natural Resources Ltd.	25 469	26 253	
446 546	Cenovus Energy Inc.	12 890	10 704	
600 984	Crew Energy Inc.	5 029	3 558	
498 884	Enbridge Inc.	21 255	29 803	
484 640	Encana Corp.	10 479	7 837	
1 132 699	Gear Energy Ltd.	4 348	2 832	
176 066	Gibson Energy Inc.	4 495	4 787	
268 789	Husky Energy Inc.	7 573	7 392	
215 104	Imperial Oil Ltd.	10 674	10 766	
158 506	Pembina Pipeline Corp.	7 292	6 711	
840 174	Pengrowth Energy Corp.	4 013	3 075	
132 000	Peyto Exploration & Development Corp.	4 515	4 418	
137 316	PrairieSky Royalty Ltd.	4 712	4 202	
83 259	ShawCor Ltd.	3 549	3 530	
898 967	Suncor Energy Inc.	29 942	33 172	
476 638	Talisman Energy Inc.	5 346	4 337	
361 890	TransCanada Corp.	15 227	20 664	
125 881	Veresen Inc.	2 265	2 311	
		200 947	204 927	22.9
Financials				
326 300	AGF Management Ltd., Class B	2 645	2 770	
348 557	Bank of Montreal	23 335	28 644	
604 098	Bank of Nova Scotia	33 070	40 058	
398 892	Brookfield Asset Management Inc., Class A	14 681	23 223	
406 165	Brookfield Property Partners LP	6 680	10 743	
196 566	Canadian Imperial Bank of Commerce	16 823	19 625	
367 855	Chartwell Retirement Residences Real Estate Investment Trust	3 710	4 381	
198 337	CI Financial Corp.	4 936	6 404	
9 281	Fairfax Financial Holdings Ltd.	3 633	5 650	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
246 812	First Capital Realty Inc.	\$ 4 618	\$ 4 606	
68 170	Intact Financial Corp.	4 135	5 716	
1 122 625	Manulife Financial Corporation	20 849	24 900	
87 228	Manulife Financial Corporation, Subscription Receipts	1 874	1 931	
86 929	National Bank of Canada	4 047	4 298	
131 590	Onex Corporation	5 197	8 877	
1 197 912	Plaza Retail Real Estate Investment Trust	4 859	4 887	
442 943	Power Corporation of Canada	12 632	14 068	
737 451	Royal Bank of Canada*	45 234	59 173	
300 954	Sun Life Financial Inc.	11 327	12 616	
531 766	The Westaim Corp.	1 410	1 622	
909 396	Toronto-Dominion Bank	34 393	50 481	
		260 088	334 673	37.3
Industrials				
748 131	Bombardier Inc., Class B	2 805	3 105	
400 025	Canadian National Railway Co.	15 249	32 010	
91 655	Canadian Pacific Railway Ltd.	12 266	20 508	
84 798	Finning International Inc.	1 757	2 139	
203 592	Progressive Waste Solutions Ltd.	5 191	7 111	
197 897	WestJet Airlines Ltd.	4 806	6 602	
		42 074	71 475	8.0
Information Technology				
208 414	Blackberry Ltd.	2 319	2 655	
131 238	CGI Group Inc., Class A	4 485	5 813	
59 167	Open Text Corp.	3 221	4 000	
		10 025	12 468	1.4
Materials				
245 407	Agnico Eagle Mines Ltd.	7 588	7 097	
114 012	Agrium Inc.	11 643	12 541	
296 846	Barrick Gold Corp.	5 551	3 717	
156 305	Detour Gold Corp.	1 463	1 483	
130 497	First Quantum Minerals Ltd.	3 184	2 155	
208 724	Goldcorp Inc.	5 639	4 490	
253 905	Interfor Corp.	3 774	5 573	
840 613	Lundin Mining Corp.	4 298	4 808	
83 489	Methanex Corp.	4 471	4 456	
66 200	Norbord Inc.	1 688	1 710	
406 044	Potash Corporation of Saskatchewan Inc.	14 401	16 676	
293 071	Silver Wheaton Corp.	6 916	6 925	
387 281	Teck Resources Ltd., Class B	7 412	6 150	
		78 028	77 781	8.7
Telecommunication Services				
192 563	BCE Inc.	8 694	10 260	
251 212	Rogers Communications Inc., Class B	10 587	11 347	
318 994	TELUS Corp.	8 167	13 363	
		27 448	34 970	3.9

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

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
141 485	Atco Ltd., Class I, Non-Voting	\$ 5 360	\$ 6 743	
141 088	Fortis Inc.	4 339	5 497	
226 842	TransAlta Corp.	2 719	2 386	
		<u>12 418</u>	<u>14 626</u>	1.6
Other				
416 539	iShares S&P/TSX 60 Index Fund	8 620	8 943	
		<u>8 620</u>	<u>8 943</u>	1.0
TOTAL CANADIAN EQUITIES		<u>688 154</u>	<u>833 236</u>	93.0

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS†				
11 820	Bank of Montreal	\$ 11 809	\$ 11 809	
4 660	Bank of Nova Scotia	4 655	4 655	
5 568	Canadian Imperial Bank of Commerce	5 566	5 566	
26 000	National Bank of Canada	25 975	25 975	
13 000	Toronto-Dominion Bank	12 987	12 987	
TOTAL SHORT-TERM INVESTMENTS		<u>60 992</u>	<u>60 992</u>	6.8
TOTAL INVESTMENTS		<u>\$ 749 146</u>	<u>894 228</u>	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>1 743</u>	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 895 971</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.00% to 1.23% and mature between January 2, 2015 and January 30, 2015.

Statements of Financial Position (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 894 228	\$ 500 232	\$ 279 685
Cash	39	66	–
Due from investment dealers	7 053	–	808
Subscriptions receivable	676	1 871	1 416
Dividends receivable, interest accrued and other assets	1 808	973	700
TOTAL ASSETS	903 804	503 142	282 609
LIABILITIES			
Bank overdraft	–	–	4
Due to investment dealers	6 529	1 394	2 348
Redemptions payable	587	271	328
Accounts payable and accrued expenses	717	143	108
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	7 833	1 808	2 788
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 895 971	\$ 501 334	\$ 279 821
Investments at cost	\$ 749 146	\$ 438 888	\$ 266 616
NAV			
SERIES C	\$ 11 320	\$ 10 343	\$ 9 977
ADVISOR SERIES	\$ 279 083	\$ 1 910	\$ 1 363
SERIES H	\$ 2 181	\$ 231	\$ –
SERIES D	\$ 70 944	\$ 62 460	\$ 54 426
SERIES F	\$ 98 164	\$ 48 817	\$ 31 012
SERIES I	\$ 6 661	\$ 4 186	\$ –
SERIES O	\$ 427 618	\$ 373 387	\$ 183 043
NAV PER UNIT			
SERIES C	\$ 13.31	\$ 12.86	\$ 11.35
ADVISOR SERIES	\$ 13.30	\$ 12.86	\$ 11.35
SERIES H	\$ 13.33	\$ 12.86	\$ –
SERIES D	\$ 13.47	\$ 13.00	\$ 11.47
SERIES F	\$ 13.49	\$ 13.03	\$ 11.50
SERIES I	\$ 13.45	\$ 13.02	\$ –
SERIES O	\$ 13.38	\$ 12.99	\$ 11.47

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)*	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 19 329	\$ 10 426
Interest for distribution purposes	891	327
Other income (loss)	518	123
Net realized gain (loss) on investments	72 750	801
Net gain (loss) on foreign currencies and other net assets	(8)	(3)
Change in unrealized gain (loss) on investments	(15 796)	48 275
TOTAL INCOME (LOSS)	77 684	59 949
EXPENSES (see notes – Fund Specific Information)		
Management fees	4 156	1 105
Administration fees	524	238
Board of Governors costs	3	4
GST/HST	460	144
Transaction costs	927	644
TOTAL EXPENSES	6 070	2 135
INCREASE (DECREASE) IN NAV	\$ 71 614	\$ 57 814
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 1 193	\$ 1 302
ADVISOR SERIES	\$ 1 258	\$ 219
SERIES H	\$ 60	\$ 5
SERIES D	\$ 7 692	\$ 8 140
SERIES F	\$ 7 311	\$ 5 502
SERIES I	\$ 511	\$ 349
SERIES O	\$ 53 589	\$ 42 297
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT		
SERIES C	\$ 1.25	\$ 1.94
ADVISOR SERIES	\$ 0.89	\$ 1.85
SERIES H	\$ 1.12	\$ 0.60
SERIES D	\$ 1.38	\$ 2.06
SERIES F	\$ 1.33	\$ 2.08
SERIES I	\$ 1.38	\$ 0.72
SERIES O	\$ 1.54	\$ 2.17

* Series H and Series I launched August 2013.

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)*	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 71 614	\$ 57 814
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(72 750)	(801)
Change in unrealized loss (gain) on investments	15 796	(48 275)
(Increase) decrease in accrued receivables	(7 888)	535
Increase (decrease) in accrued payables	5 709	(919)
Cost of investments purchased	(1 725 057)	(914 100)
Proceeds on sales of investments	1 388 015	742 629
NET CASH PROVIDED BY OPERATING ACTIVITIES	(324 561)	(163 117)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	524 367	233 738
Cash paid on redemption of redeemable units	(184 051)	(69 423)
Distributions paid to holders of redeemable units	(15 782)	(1 128)
NET CASH USED IN FINANCING ACTIVITIES	\$ 324 534	\$ 163 187
Net increase (decrease) in cash for the year	(27)	70
Cash (bank overdraft), beginning of period	66	(4)
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 39	\$ 66
Interest received	\$ 890	\$ 323
Dividends received, net of withholding taxes	\$ 19 013	\$ 10 280

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

* Series H and Series I launched August 2013.

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

For the periods ended December 31 (see note 2 in the generic notes)*	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 10 343	\$ 9 977	\$ 1 910	\$ 1 363	\$ 231	\$ –	\$ 62 460	\$ 54 426
INCREASE (DECREASE) IN NAV	1 193	1 302	1 258	219	60	5	7 692	8 140
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	2 515	1 806	304 323	1 003	1 932	226	13 803	25 398
Reinvestments of distributions to holders of redeemable units	801	28	12 590	5	89	1	5 191	655
Redemption of redeemable units	(2 713)	(2 741)	(27 455)	(675)	(32)	–	(12 680)	(25 472)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	603	(907)	289 458	333	1 989	227	6 314	581
Distributions from net income	(34)	(29)	(6)	(5)	(1)	(1)	(810)	(687)
Distributions from net gains	(785)	–	(13 537)	–	(98)	–	(4 712)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(819)	(29)	(13 543)	(5)	(99)	(1)	(5 522)	(687)
NET INCREASE (DECREASE) IN NAV	977	366	277 173	547	1 950	231	8 484	8 034
NAV AT END OF PERIOD	\$ 11 320	\$ 10 343	\$ 279 083	\$ 1 910	\$ 2 181	\$ 231	\$ 70 944	\$ 62 460

For the periods ended December 31 (see note 2 in the generic notes)*	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 48 817	\$ 31 012	\$ 4 186	\$ –	\$ 373 387	\$ 183 043	\$ 501 334	\$ 279 821
INCREASE (DECREASE) IN NAV	7 311	5 502	511	349	53 589	42 297	71 614	57 814
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	74 758	24 795	2 272	3 837	123 569	177 128	523 172	234 193
Reinvestments of distributions to holders of redeemable units	1 938	48	449	63	31 903	6 464	52 961	7 264
Redemption of redeemable units	(27 407)	(11 899)	(259)	–	(113 821)	(28 579)	(184 367)	(69 366)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	49 289	12 944	2 462	3 900	41 651	155 013	391 766	172 091
Distributions from net income	(1 196)	(641)	(94)	(63)	(11 978)	(6 966)	(14 119)	(8 392)
Distributions from net gains	(6 057)	–	(404)	–	(29 031)	–	(54 624)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(7 253)	(641)	(498)	(63)	(41 009)	(6 966)	(68 743)	(8 392)
NET INCREASE (DECREASE) IN NAV	49 347	17 805	2 475	4 186	54 231	190 344	394 637	221 513
NAV AT END OF PERIOD	\$ 98 164	\$ 48 817	\$ 6 661	\$ 4 186	\$ 427 618	\$ 373 387	\$ 895 971	\$ 501 334

* Series H and Series I launched August 2013.

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide long-term capital growth. To achieve the Fund's investment objective, we invest primarily in equities of Canadian companies priced below the manager's assessment of their true value and offering long-term opportunities for growth.

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

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	37.3	38.1	34.9
Energy	22.9	22.3	22.5
Materials	8.7	9.0	15.9
Industrials	8.0	7.0	6.3
Consumer Discretionary	4.4	3.4	3.8
Telecommunication Services	3.9	4.2	3.3
Consumer Staples	3.8	4.0	2.9
Utilities	1.6	0.9	1.0
Information Technology	1.4	1.7	1.3
Index Funds	1.0	1.0	1.5
Cash/Other	7.0	8.4	6.6

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.9	+ or - 0.9	+ or - 0.9

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	833 236	–	–	833 236
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	60 992	–	60 992
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	833 236	60 992	–	894 228
% of total portfolio	93.2	6.8	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	458 493	–	–	458 493
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	41 739	–	41 739
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	458 493	41 739	–	500 232
% of total portfolio	91.7	8.3	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	260 476	–	–	260 476
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	19 209	–	19 209
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	260 476	19 209	–	279 685
% of total portfolio	93.1	6.9	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series C	1.75%
Advisor Series	1.75%
Series H	1.60%
Series D	1.00%
Series F	0.75%
Series I	0.60%

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

December 31, 2014

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	99	94
Advisor Series	105	98
Series H	92	85
Series D	119	110
Series F	121	111
Series I	92	85
Series O	127	115
Value of all units	10	9

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	804	879
Issued number of units	186	155
Reinvested number of units	60	2
Redeemed number of units	(199)	(232)
Ending number of units	851	804

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	149	120
Issued number of units	21 856	86
Reinvested number of units	957	–
Redeemed number of units	(1 972)	(57)
Ending number of units	20 990	149
Series H		
Opening units	18	–
Issued number of units	141	18
Reinvested number of units	7	–
Redeemed number of units	(2)	–
Ending number of units	164	18
Series D		
Opening units	4 804	4 745
Issued number of units	999	2 138
Reinvested number of units	383	52
Redeemed number of units	(919)	(2 131)
Ending number of units	5 267	4 804
Series F		
Opening units	3 747	2 697
Issued number of units	5 339	2 030
Reinvested number of units	145	4
Redeemed number of units	(1 954)	(984)
Ending number of units	7 277	3 747
Series I		
Opening units	322	–
Issued number of units	158	317
Reinvested number of units	33	5
Redeemed number of units	(18)	–
Ending number of units	495	322
Series O		
Opening units	28 737	15 963
Issued number of units	8 961	14 595
Reinvested number of units	2 365	516
Redeemed number of units	(8 110)	(2 337)
Ending number of units	31 953	28 737

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	927	100	644	100
Related-party brokerage commissions*	125	13	89	14
Commission arrangements [†]	74	8	30	5

* See note 7 in the generic notes.

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

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

December 31, 2014

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014	December 31 2013
Phillips, Hager & North LifeTime 2015 Fund	–	0.1
Phillips, Hager & North LifeTime 2020 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2025 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2030 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2035 Fund	0.2	0.2
Phillips, Hager & North LifeTime 2040 Fund	0.2	0.2
Phillips, Hager & North LifeTime 2045 Fund	0.4	0.3
Phillips, Hager & North LifeTime 2050 Fund	–	–
Total	1.1	1.1

Fund merger (000s)

At the close of business on June 27, 2014, the RBC DS Canadian Focus Fund was merged into the Phillips, Hager & North Canadian Equity Value Fund. The purchase 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 RBC DS Canadian Focus Fund (the “Terminated Fund”) and the Phillips, Hager & North Canadian Equity Value Fund (the “Continuing Fund”) are as follows:

Net assets acquired by Continuing Fund	\$ 388 539
Exchange ratio Series F	1.51
Units issued by Continuing Fund Series F	2 847
Exchange ratio Advisor Series	1.40
Units issued by Continuing Fund Advisor Series	21 648
Exchange ratio Series O	1.55
Units issued by Continuing Fund Series O	3 338

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 June 27, 2014, 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 June 27, 2014. 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 has no tax liability as at June 27, 2014. All capital and non-capital loss carryforwards 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.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	501 102	279 330
Revaluation of investments at FVTPL	232	491
Net assets attributable to holders of redeemable units	501 334	279 821
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		58 073
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(259)
Increase (decrease) in net assets attributable to holders of redeemable units		57 814

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
250 691	BRP Inc.	\$ 6 206	\$ 6 069	
184 448	Cineplex Inc.	6 373	8 269	
331 406	Dollarama Inc.	12 497	19 686	
181 000	easyhome Ltd.	4 262	3 631	
233 429	Gildan Activewear Inc., Class A	10 196	15 336	
165 600	Great Canadian Gaming Corp.	1 653	3 420	
345 300	Leon's Furniture Ltd.	4 456	6 181	
101 529	Linamar Corp.	2 679	7 203	
258 740	Magna International Inc., Class A	17 012	32 573	
437 056	Quebecor Inc., Class B	10 094	13 960	
287 631	Restaurant Brands International Inc.	12 186	13 087	
1 672 200	RONA Inc.	20 742	23 160	
485 660	Shaw Communications Inc., Class B	11 147	15 225	
629 214	Thomson Corp.	22 077	29 491	
		141 580	197 291	7.8
Consumer Staples				
849 923	Alimentation Couche-Tard Inc.	17 305	41 383	
188 700	Empire Co. Ltd., Class A	13 414	16 534	
218 674	Loblaw Companies Ltd.	10 039	13 595	
293 541	Maple Leaf Foods Inc.	4 036	5 715	
361 252	Saputo Group Inc.	8 562	12 615	
		53 356	89 842	3.5
Energy				
1 349 025	ARC Resources Ltd.	36 746	33 941	
993 164	Calfrac Well Services Ltd.	14 810	9 942	
887 914	Cameco Corp.	18 664	16 916	
2 132 435	Canadian Natural Resources Ltd.	72 728	76 598	
2 217 945	Cenovus Energy Inc.	66 551	53 165	
1 406 300	Crescent Point Energy Corp.	57 564	37 845	
1 717 816	Enbridge Inc.	79 631	102 622	
1 916 533	Encana Corp.	39 035	30 990	
110 800	Keyera Corp.	8 184	8 983	
239 700	MEG Energy Corp.	5 869	4 686	
389 300	PrairieSky Royalty Ltd.	13 146	11 913	
1 726 300	Precision Drilling Corp.	14 084	12 188	
290 000	Secure Energy Services Inc.	4 443	4 921	
383 600	Seven Generations Energy Ltd.	7 002	6 709	
2 044 846	Suncor Energy Inc.	68 997	75 455	
1 375 464	Talisman Energy Inc.	16 430	12 517	
239 766	Tourmaline Oil Corp.	9 719	9 279	
1 058 986	TransCanada Corp.	53 325	60 468	
656 900	Trilogy Energy Corp.	17 181	5 196	
2 701 787	Trinidad Drilling Ltd.	22 114	14 049	
		626 223	588 383	23.2

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials				
111 500	Allied Properties Real Estate Investment Trust	\$ 3 916	\$ 4 175	
305 400	Altus Group Ltd.	6 198	6 355	
622 626	Bank of Montreal	42 237	51 167	
2 262 392	Bank of Nova Scotia	130 730	150 019	
1 174 010	Brookfield Asset Management Inc., Class A	42 960	68 351	
166 800	Brookfield Property Partners LP	4 021	4 412	
447 300	Canaccord Genuity Group Inc.	3 435	3 493	
304 820	Canadian Imperial Bank of Commerce	27 203	30 433	
356 000	CI Financial Corp.	11 438	11 495	
1 219 011	Element Financial Corp.	13 742	17 237	
80 164	First Service Corp.	2 601	4 752	
247 576	Home Capital Group Inc.	7 138	11 881	
339 441	Industrial Alliance Insurance & Financial Services Inc.	13 609	15 081	
175 700	Intact Financial Corp.	11 415	14 732	
3 717 496	Manulife Financial Corporation	63 959	82 454	
500 500	Manulife Financial Corporation, Subscription Receipts	10 762	11 081	
524 236	Power Corporation of Canada	14 340	16 650	
2 296 526	Royal Bank of Canada*	139 832	184 273	
209 900	Sun Life Financial Inc.	7 759	8 799	
1 436 500	The Westaim Corp.	3 813	4 381	
3 360 152	Toronto-Dominion Bank	139 602	186 522	
		700 710	887 743	35.0
Health Care				
407 579	Catamaran Corp.	20 198	24 504	
488 976	Valeant Pharmaceuticals International Inc.	45 848	81 331	
		66 046	105 835	4.2
Industrials				
604 547	Badger Daylighting Ltd.	11 130	15 990	
200 950	Boyd Group Income Fund	6 506	9 565	
1 201 104	Canadian National Railway Co.	56 743	96 112	
831 053	Finning International Inc.	19 970	20 967	
90 184	MacDonald Dettwiler & Associates Ltd.	6 579	8 563	
158 177	Richelieu Hardware Ltd.	6 001	9 016	
554 704	SNC-Lavalin Group Inc.	27 009	24 579	
134 982	Stantec Inc.	2 802	4 310	
189 395	Toromont Industries Ltd.	4 093	5 400	
231 100	WSP Global Inc.	8 280	8 056	
		149 113	202 558	8.0

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

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
696 168	CGI Group Inc., Class A	\$ 21 579	\$ 30 833	
27 834	Constellation Software Inc.	4 080	9 615	
471 500	Descartes Systems Group Inc.	6 978	8 133	
219 800	DH Corp.	6 037	8 060	
321 900	Kinaxis Inc.	4 210	5 955	
161 920	Open Text Corp.	6 943	10 947	
		<u>49 827</u>	<u>73 543</u>	<u>2.9</u>
Materials				
396 696	Agnico Eagle Mines Ltd.	13 516	11 472	
269 871	Agrium Inc.	24 723	29 686	
1 882 860	B2Gold Corp.	5 183	3 577	
411 519	Barrick Gold Corp.	9 581	5 152	
78 492	CCL Industries, Class B	4 703	9 880	
417 689	Continental Gold Ltd.	1 899	773	
272 967	Detour Gold Corp.	3 109	2 590	
264 253	Dundee Precious Metals Inc.	1 473	724	
1 267 063	Eldorado Gold Corp.	10 777	8 971	
855 691	First Quantum Minerals Ltd.	15 026	14 127	
189 914	Franco-Nevada Corp.	7 633	10 865	
891 287	Goldcorp Inc.	27 290	19 172	
447 580	Mountain Province Diamonds Inc.	2 361	2 171	
593 000	New Gold Inc.	4 479	2 953	
128 007	Osisko Gold Royalties Ltd.	2 028	2 097	
2 905 277	Polaris Minerals Corp.	4 766	6 595	
1 200 048	Potash Corporation of Saskatchewan Inc.	51 336	49 286	
696 088	Primero Mining Corp.	4 583	3 112	
1 136 800	Rio Alto Mining Ltd.	3 222	3 206	
1 074 720	Semafo Inc.	4 117	3 203	
1 180 996	Sherritt International Corp.	5 015	3 543	
489 323	Silver Wheaton Corp.	12 485	11 563	
178 628	Stella-Jones Inc.	4 292	5 848	
136 102	Tahoe Resources Inc.	2 570	2 198	
659 429	Teck Resources Ltd., Class B	17 956	10 472	
2 240 508	Torex Gold Resources Inc.	3 404	2 756	
1 650 664	Turquoise Hill Resources Ltd.	7 991	5 926	
		<u>255 518</u>	<u>231 918</u>	<u>9.2</u>
Telecommunication Services				
678 943	Rogers Communications Inc., Class B	29 018	30 668	
1 022 040	TELUS Corp.	33 732	42 813	
		<u>62 750</u>	<u>73 481</u>	<u>2.9</u>
Utilities				
365 000	Fortis Inc.	12 673	14 220	
110 600	Superior Plus Corp.	1 262	1 326	
		<u>13 935</u>	<u>15 546</u>	<u>0.6</u>

Holdings	Security	Cost	Fair Value	% of Net Assets
Other				
1 700 800	iShares S&P/TSX 60 Index Fund	\$ 37 021	\$ 36 516	
		<u>37 021</u>	<u>36 516</u>	<u>1.4</u>
TOTAL CANADIAN EQUITIES		<u>2 156 079</u>	<u>2 502 656</u>	<u>98.7</u>
SHORT-TERM INVESTMENTS†		<u>17 049</u>	<u>17 049</u>	<u>0.7</u>
TOTAL INVESTMENTS		<u>\$2 173 128</u>	<u>2 519 705</u>	<u>99.4</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>16 207</u>	<u>0.6</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>\$2 535 912</u>	<u>100.0</u>

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.21% and mature between January 2, 2015 and January 30, 2015.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 2 519 705	\$ 2 375 285	\$ 664 522
Cash	620	402	156
Due from investment dealers	18 990	824	–
Subscriptions receivable	–	276	170
Dividends receivable, interest accrued and other assets	4 245	3 963	1 502
TOTAL ASSETS	2 543 560	2 380 750	666 350
LIABILITIES			
Due to investment dealers	575	–	–
Redemptions payable	7 025	244	2 372
Accounts payable and accrued expenses	48	43	12
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	7 648	287	2 384
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 535 912	\$ 2 380 463	\$ 663 966
Investments at cost	\$ 2 173 128	\$ 2 056 354	\$ 642 437
NAV			
SERIES O	\$ 2 535 912	\$ 2 380 463	\$ 663 966
NAV PER UNIT			
SERIES O	\$ 11.06	\$ 11.11	\$ 9.51

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

Statements of Comprehensive Income
(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 64 822	\$ 38 079
Interest for distribution purposes	322	207
Other income (loss)	177	3
Securities lending revenue (see note 6 in the generic notes)	114	–
Net realized gain (loss) on investments	222 277	38 991
Net gain (loss) on foreign currencies and other net assets	(37)	(10)
Change in unrealized gain (loss) on investments	27 646	296 846
TOTAL INCOME (LOSS)	315 321	374 116
EXPENSES (see notes – Fund Specific Information)		
Administration fees	523	296
Board of Governors costs	3	3
GST/HST	52	28
Transaction costs	2 504	1 792
TOTAL EXPENSES	3 082	2 119
INCREASE (DECREASE) IN NAV	\$ 312 239	\$ 371 997
INCREASE (DECREASE) IN NAV SERIES O	\$ 312 239	\$ 371 997
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT SERIES O	\$ 1.45	\$ 2.63

Statements of Cash Flow (in \$000s)

 For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 312 239	\$ 371 997
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(222 277)	(38 991)
Change in unrealized loss (gain) on investments	(27 646)	(296 846)
(Increase) decrease in accrued receivables	(18 448)	(3 285)
Increase (decrease) in accrued payables	580	31
Cost of investments purchased	(3 051 553)	(3 084 132)
Proceeds on sales of investments	3 157 056	1 709 206
NET CASH PROVIDED BY OPERATING ACTIVITIES	149 951	(1 342 020)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	285 015	1 526 828
Cash paid on redemption of redeemable units	(434 748)	(184 563)
Distributions paid to holders of redeemable units	–	1
NET CASH USED IN FINANCING ACTIVITIES	\$ (149 733)	\$ 1 342 266
Net increase (decrease) in cash for the year	218	246
Cash (bank overdraft), beginning of period	402	156
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 620	\$ 402
Interest received	\$ 325	\$ 199
Dividends received, net of withholding taxes	\$ 64 714	\$ 35 629

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND**
Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)*	Series 0	
	2014	2013
EQUITY/NAV AT BEGINNING OF PERIOD	\$ 2 380 463	\$ 663 966
INCREASE (DECREASE) IN NAV	312 239	371 997
Early redemption fees	—	—
Proceeds from redeemable units issued	284 739	1 526 934
Reinvestments of distributions to holders of redeemable units	287 075	56 490
Redemption of redeemable units	(441 529)	(182 435)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	130 285	1 400 989
Distributions from net income	(65 468)	(36 614)
Distributions from net gains	(221 607)	(19 875)
Distributions from capital	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(287 075)	(56 489)
NET INCREASE (DECREASE) IN NAV	155 449	1 716 497
NAV AT END OF PERIOD	\$ 2 535 912	\$ 2 380 463

* The Fund's units meet all of the criteria in IFRS for classification as equity, and therefore continued to be classified as financial equity, similar to Canadian GAAP, as of January 1, 2013. During 2013, certain new series of units were introduced which had different features to the existing series of units. As a result, the Fund was no longer able to meet the IAS 32 requirements for classification of its units as equity, and the units were classified as financial liabilities as of December 31, 2013. The change in classification has not resulted in any contractual change in relationship with the unitholders, nor has it resulted in any change in the net asset value per unit. The above Statements of Changes in NAV presents the Fund's units as if they were financial liabilities for the entire 2013 year. The Fund's equity during the 2013 year comprised both retained earnings and unitholders' capital and has been presented together. Management believes the absence of separating retained earnings and unitholders' capital would not provide materially different information.

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND**

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide significant long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund is expected to be used primarily as an underlying fund for other mutual funds but may also be sold directly to other investors.

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

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.0% (December 31, 2013 – 0.0%, January 1, 2013 – 0.5%) of the net assets of the Fund.

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	35.1	34.6	31.3
Energy	23.2	23.1	23.9
Materials	9.1	10.2	17.0
Industrials	8.0	7.9	9.0
Consumer Discretionary	7.8	8.2	7.3
Health Care	4.2	3.1	2.0
Consumer Staples	3.5	3.7	2.1
Information Technology	2.9	3.1	1.9
Telecommunication Services	2.9	3.3	3.6
Index Funds	1.4	1.7	–
Utilities	0.6	–	–
Cash/Other	1.3	1.1	1.9

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.1	+ or - 1.2	+ or - 1.1

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

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	2 502 656	–	–	2 502 656
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 049	–	17 049
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 502 656	17 049	–	2 519 705
% of total portfolio	99.3	0.7	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	2 354 974	–	–	2 354 974
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	20 311	–	20 311
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 354 974	20 311	–	2 375 285
% of total portfolio	99.1	0.9	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	649 490	3 066	–	652 556
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 966	–	11 966
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	649 490	15 032	–	664 522
% of total portfolio	97.7	2.3	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND**

December 31, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of Series O of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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Investments by related parties (\$000s except unit amounts)

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

	December 31 2014	December 31 2013
Units held		
Series O	52	46
Value of all units	1	1

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series O		
Opening units	214 294	69 842
Issued number of units	24 421	156 971
Reinvested number of units	25 953	5 085
Redeemed number of units	(35 406)	(17 604)
Ending number of units	229 262	214 294

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	2 504	100	1 792	100
Related-party brokerage commissions*	263	11	171	10
Commission arrangements†	173	7	94	5

* See note 7 in the generic notes.

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

Securities lending revenue (\$000s) (see note 6 in the generic notes)

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

	December 31 2014	December 31 2013
Fair value of securities loaned	158 898	–
Fair value of collateral received	162 075	–

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
RBC Select Very Conservative Portfolio	6.2	5.6
RBC Select Very Conservative Class	–	0.1
RBC Select Conservative Portfolio	22.9	21.8
RBC Select Conservative Class	–	0.1
RBC Select Balanced Portfolio	28.4	24.8
RBC Select Balanced Class	–	0.1
RBC Select Growth Portfolio	14.1	14.8
RBC Select Growth Class	–	–
RBC Select Aggressive Growth Portfolio	3.0	3.1
RBC Select Aggressive Growth Class	–	–
Phillips, Hager & North Balanced Fund	8.8	10.1
Phillips, Hager & North Balanced Pension Trust	16.1	19.2
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	0.1	–
Phillips, Hager & North LifeTime 2040 Fund	0.1	–
Phillips, Hager & North LifeTime 2045 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2050 Fund	–	–
Total	99.8	99.8

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

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	2 379 308	662 471
Revaluation of investments at FVTPL	1 155	1 495
Net assets attributable to holders of redeemable units	2 380 463	663 966
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		372 337
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(340)
Increase (decrease) in net assets attributable to holders of redeemable units		371 997

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND II

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
113 200	Dollarama Inc.	\$ 5 694	\$ 6 724	
56 900	Gildan Activewear Inc., Class A	3 681	3 738	
58 000	Magna International Inc., Class A	6 492	7 302	
114 060	Restaurant Brands International Inc.	5 007	5 190	
85 100	Shaw Communications Inc., Class B	2 366	2 668	
163 600	Thomson Corp.	6 816	7 668	
		30 056	33 290	8.2
Consumer Staples				
137 100	Alimentation Couche-Tard Inc.	5 018	6 675	
32 400	Empire Co. Ltd., Class A	2 488	2 839	
26 400	Loblaw Companies Ltd.	1 446	1 641	
107 200	Saputo Group Inc.	3 402	3 743	
		12 354	14 898	3.6
Energy				
225 500	ARC Resources Ltd.	6 191	5 674	
136 900	Cameco Corp.	2 558	2 608	
323 700	Canadian Natural Resources Ltd.	12 668	11 627	
332 500	Cenovus Energy Inc.	9 333	7 970	
224 400	Crescent Point Energy Corp.	8 134	6 038	
264 700	Enbridge Inc.	13 714	15 813	
308 900	Encana Corp.	6 641	4 995	
40 700	Keyera Corp.	3 712	3 300	
38 500	MEG Energy Corp.	1 011	753	
77 200	PrairieSky Royalty Ltd.	2 607	2 362	
842 500	Precision Drilling Corp.	8 076	5 948	
104 700	Seven Generations Energy Ltd.	2 060	1 831	
283 100	Suncor Energy Inc.	10 813	10 446	
230 400	Talisman Energy Inc.	1 889	2 097	
48 100	Tourmaline Oil Corp.	2 138	1 861	
174 600	TransCanada Corp.	9 653	9 970	
		101 198	93 293	22.8
Financials				
122 500	Bank of Montreal	10 015	10 067	
364 300	Bank of Nova Scotia	24 957	24 157	
210 100	Brookfield Asset Management Inc., Class A	10 722	12 232	
98 100	Brookfield Property Partners LP	2 333	2 595	
69 400	Canadian Imperial Bank of Commerce	6 879	6 929	
169 500	CI Financial Corp.	5 548	5 473	
107 600	Industrial Alliance Insurance & Financial Services Inc.	4 769	4 781	
43 100	Intact Financial Corp.	3 283	3 614	
641 600	Manulife Financial Corporation	13 450	14 231	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
3 400	Manulife Financial Corporation, Subscription Receipts	\$ 71	\$ 75	
125 400	Power Corporation of Canada	3 745	3 983	
376 600	Royal Bank of Canada*	30 093	30 218	
546 800	Toronto-Dominion Bank	29 561	30 353	
		145 426	148 708	36.4
Health Care				
64 000	Catamaran Corp.	3 174	3 848	
77 200	Valeant Pharmaceuticals International Inc.	10 603	12 841	
		13 777	16 689	4.1
Industrials				
220 000	Canadian National Railway Co.	16 808	17 604	
254 800	Finning International Inc.	7 235	6 429	
135 500	SNC-Lavalin Group Inc.	6 518	6 004	
		30 561	30 037	7.3
Information Technology				
122 900	CGI Group Inc., Class A	4 735	5 443	
53 700	Open Text Corp.	3 402	3 631	
		8 137	9 074	2.2
Materials				
62 470	Agnico Eagle Mines Ltd.	2 096	1 807	
51 300	Agrium Inc.	4 947	5 643	
290 440	B2Gold Corp.	703	552	
64 810	Barrick Gold Corp.	1 041	811	
62 610	Continental Gold Ltd.	197	116	
42 970	Detour Gold Corp.	397	408	
39 470	Dundee Precious Metals Inc.	178	108	
203 930	Eldorado Gold Corp.	1 662	1 444	
177 500	First Quantum Minerals Ltd.	3 341	2 931	
30 870	Franco-Nevada Corp.	1 805	1 766	
140 490	Goldcorp Inc.	3 710	3 022	
73 190	Mountain Province Diamonds Inc.	394	355	
89 020	New Gold Inc.	492	443	
18 690	Osisko Gold Royalties Ltd.	278	306	
199 300	Potash Corporation of Saskatchewan Inc.	7 397	8 185	
107 970	Primero Mining Corp.	592	483	
169 910	Rio Alto Mining Ltd.	484	479	
174 060	Semafo Inc.	720	519	
77 040	Silver Wheaton Corp.	1 732	1 820	
20 570	Tahoe Resources Inc.	480	332	
56 200	Teck Resources Ltd., Class B	1 052	892	
339 620	Torex Gold Resources Inc.	545	418	
344 800	Turquoise Hill Resources Ltd.	1 301	1 238	
		35 544	34 078	8.3

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

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
148 500	Rogers Communications Inc., Class B	\$ 6 312	\$ 6 708	
180 400	TELUS Corp.	7 019	7 557	
		<u>13 331</u>	<u>14 265</u>	3.5
Utilities				
151 000	Fortis Inc.	5 671	5 883	
		<u>5 671</u>	<u>5 883</u>	1.4
Other				
54 000	iShares S&P/TSX 60 Index Fund	1 168	1 159	
		<u>1 168</u>	<u>1 159</u>	0.3
TOTAL CANADIAN EQUITIES		<u>397 223</u>	<u>401 374</u>	98.1
SHORT-TERM INVESTMENTS†		<u>4 096</u>	<u>4 096</u>	1.0
TOTAL INVESTMENTS		<u>\$ 401 319</u>	<u>405 470</u>	99.1
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>3 601</u>	0.9
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 409 071</u>	100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.16% and mature between January 2, 2015 and January 5, 2015.

Statement of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31
	2014
ASSETS	
Investments at fair value	\$ 405 470
Cash	148
Due from investment dealers	5 955
Dividends receivable, interest accrued and other assets	624
TOTAL ASSETS	412 197
LIABILITIES	
Due to investment dealers	3 117
Accounts payable and accrued expenses	9
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	3 126
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 409 071
Investments at cost	\$ 401 319
NAV	
SERIES 0	\$ 409 071
NAV PER UNIT	
SERIES 0	\$ 9.64

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

Statement of Comprehensive Income
(in \$000s except per unit amounts)

For the period ended December 31 (see note 2 in the generic notes)*	2014
INCOME (see note 3 in the generic notes)	
Dividends	\$ 2 396
Interest for distribution purposes	13
Securities lending revenue (see note 6 in the generic notes)	5
Net realized gain (loss) on investments	(15)
Net gain (loss) on foreign currencies and other net assets	(1)
Change in unrealized gain (loss) on investments	4 151
TOTAL INCOME (LOSS)	6 549
EXPENSES (see notes – Fund Specific Information)	
Administration fees	20
Board of Governors costs	1
GST/HST	2
Transaction costs	605
TOTAL EXPENSES	628
INCREASE (DECREASE) IN NAV	\$ 5 921
INCREASE (DECREASE) IN NAV	
SERIES O	\$ 5 921
INCREASE (DECREASE) IN NAV	
PER REDEEMABLE UNIT	
SERIES O	\$ 0.25

* Fund launched July 2014.

Statement of Cash Flow (in \$000s)

For the period ended December 31 (see note 2 in the generic notes)*	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in NAV	\$ 5 921
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS	
Net realized loss (gain) on investments	15
Change in unrealized loss (gain) on investments	(4 151)
(Increase) decrease in accrued receivables	(6 579)
Increase (decrease) in accrued payables	3 126
Cost of investments purchased	(693 378)
Proceeds on sales of investments	292 044
NET CASH PROVIDED BY OPERATING ACTIVITIES	(403 002)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of redeemable units	403 150
Cash paid on redemption of redeemable units	–
Distributions paid to holders of redeemable units	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 403 150
Net increase (decrease) in cash for the year	148
Cash (bank overdraft), beginning of period	–
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 148
Interest received	\$ 13
Dividends received, net of withholding taxes	\$ 1 772

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

* Fund launched July 2014.

Statement of Changes in NAV *(in \$000s)*

For the period ended December 31 (see note 2 in the generic notes)*†	Series 0 2014
NAV AT BEGINNING OF PERIOD	\$ —
INCREASE (DECREASE) IN NAV	5 921
Early redemption fees	—
Proceeds from redeemable units issued	403 150
Reinvestments of distributions to holders of redeemable units	2 132
Redemption of redeemable units	—
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	405 282
Distributions from net income	(1 900)
Distributions from net gains	(232)
Distributions from capital	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 132)
NET INCREASE (DECREASE) IN NAV	409 071
NAV AT END OF PERIOD	\$ 409 071

* Fund launched July 2014.

† Since inception of the Fund in 2014, certain new series of units were introduced which had different features to the existing series of units. As a result, units were classified as financial liabilities. The above Statement of Changes in NAV presents the Fund's units as if they were financial liabilities for the entire 2014 period.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide significant long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund is expected to be used primarily as an underlying fund for other mutual funds but may also be sold directly to other investors.

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

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

	December 31 2014
Investment mix	
Financials	36.5
Energy	22.8
Materials	8.3
Consumer Discretionary	8.1
Industrials	7.3
Health Care	4.1
Consumer Staples	3.6
Telecommunication Services	3.5
Information Technology	2.2
Utilities	1.4
Other	0.3
Cash/Other	1.9

Other price risk (% impact on net assets)

Due to the fact that the Fund has been in existence for less than six months, the impact on net assets of the Fund using the historical correlation between the Fund's return and a broad-based index is not disclosed because there is insufficient data and any resulting calculation could be materially misleading.

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

The following is a summary of the inputs used as of December 31, 2014.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	401 374	–	–	401 374
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	4 096	–	4 096
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	401 374	4 096	–	405 470
% of total portfolio	99.0	1.0	–	100.0

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

For the period ended December 31, 2014, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

Operating expenses (see note 7 in the generic notes)

Administration fees of Series O of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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Investments by related parties (\$000s except unit amounts)

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

	December 31 2014
Units held	
Series O	15 079
Value of all units	145

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the period ended December 31 (see note 2 in the generic notes)	2014
Series O	
Opening units	–
Issued number of units	42 214
Reinvested number of units	221
Redeemed number of units	–
Ending number of units	42 435

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II**

December 31, 2014

Transaction costs (\$000s except %)

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

	December 31 2014	
	\$	%
Total transaction costs	605	100
Related-party brokerage commissions*	34	6
Commission arrangements†	112	19

* See note 7 in the generic notes.

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

Securities lending revenue (\$000s) (see note 6 in the generic notes)

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

	December 31 2014
Fair value of securities loaned	26 202
Fair value of collateral received	26 726

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014
RBC Select Very Conservative Portfolio	19.3
RBC Select Conservative Portfolio	52.3
RBC Select Balanced Portfolio	26.2
RBC Select Growth Portfolio	2.2
Total	100.0

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
73 500	Amaya Inc.	\$ 1 539	\$ 2 098	
45 200	AutoCanada Inc.	3 119	2 011	
26 400	Canadian Tire Corp. Ltd., Class A	1 860	3 240	
96 200	easyhome Ltd.	1 516	1 930	
1 971 960	Loyalist Group Ltd.	1 002	897	
76 900	Magna International Inc., Class A	3 810	9 681	
1 750 000	Mood Media Corp.	3 202	963	
126 537	Performance Sports Group Ltd.	1 630	2 675	
102 900	Shaw Communications Inc., Class B	2 222	3 226	
92 100	Thomson Corp.	3 231	4 317	
993 327	Zungui Haixi Corp.	2 722	–	
		25 853	31 038	6.9
Consumer Staples				
95 200	Alimentation Couche-Tard Inc.	1 937	4 635	
439 294	GLG Life Tech Corp.	3 619	141	
63 630	Loblaw Companies Ltd.	3 038	3 956	
555 556	Small Potatoes Urban Delivery Inc.*, Common (Restricted)	750	750	
555 556	SPUD USA Holding Corp.* (Restricted)	250	250	
		9 594	9 732	2.1
Energy				
73 800	ARC Resources Ltd.	1 826	1 857	
374 400	Bellatrix Exploration Ltd.	2 116	1 583	
84 200	Cameco Corp.	2 031	1 603	
299 800	Canadian Natural Resources Ltd.	10 879	10 769	
187 000	Canyon Services Group Inc.	2 021	1 681	
239 333	Cardinal Energy Ltd.	2 470	3 233	
221 600	Cenovus Energy Inc.	5 008	5 312	
96 063	Crescent Point Energy Corp.	3 230	2 585	
194 659	Enbridge Inc.	7 015	11 629	
184 100	Encana Corp.	3 924	2 977	
99 400	Enerflex Ltd.	1 434	1 629	
473 100	Gear Energy Ltd.	1 877	1 183	
275 600	Kelt Exploration Ltd.	1 944	1 929	
97 107	Pembina Pipeline Corp.	3 106	4 112	
427 900	Raging River Exploration Inc.	1 569	3 141	
1 194 426	Spartan Energy Corp.	3 320	3 332	
378 500	Sprott Resource Corp.	1 458	712	
384 000	Suncor Energy Inc.	14 608	14 170	
62 900	Tourmaline Oil Corp.	2 444	2 434	
192 400	TransCanada Corp.	7 553	10 986	
72 300	Trilogy Energy Corp.	2 004	572	
229 400	Trinidad Drilling Ltd.	1 615	1 193	
51 200	Vermilion Energy Inc.	2 808	2 918	
261 300	Western Energy Services Corp.	2 092	1 570	
246 000	Whitecap Resources Inc.	2 460	2 814	
		90 812	95 924	21.2

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials				
93 700	Altus Group Ltd.	\$ 1 250	\$ 1 950	
253 000	American Hotel Income Properties Real Estate Investment Trust LP	2 567	2 538	
161 800	Bank of Montreal	9 482	13 297	
313 800	Bank of Nova Scotia	16 237	20 808	
127 700	Brookfield Asset Management Inc., Class A	3 532	7 435	
96 100	Brookfield Property Partners LP	1 978	2 542	
118 600	Callidus Capital Corp.	1 676	2 076	
111 000	Canadian Imperial Bank of Commerce	8 163	11 082	
65 665	Canadian Real Estate Investment Trust	2 073	3 007	
134 666	CI Financial Corp.	3 374	4 348	
190 200	Element Financial Corp.	1 918	2 689	
58 600	Home Capital Group Inc.	2 958	2 812	
39 600	Intact Financial Corp.	2 360	3 320	
471 200	Manulife Financial Corporation	7 808	10 451	
50 000	National Bank of Canada	2 329	2 472	
281 300	Power Corporation of Canada	7 106	8 934	
366 600	Royal Bank of Canada†	17 706	29 416	
119 900	Sun Life Financial Inc.	3 568	5 026	
477 100	Toronto-Dominion Bank	15 282	26 484	
		111 367	160 687	35.5
Health Care				
43 400	Catamaran Corp.	2 140	2 609	
263 000	Knight Therapeutics Inc.	1 775	1 820	
767 200	Prometic Life Sciences Inc.	704	1 465	
86 600	Valeant Pharmaceuticals International Inc.	5 721	14 404	
		10 340	20 298	4.5
Industrials				
149 300	Aecon Group Inc.	2 075	1 599	
71 600	Badger Daylighting Ltd.	1 960	1 894	
48 500	Boyd Group Income Fund	1 649	2 309	
245 800	Canadian National Railway Co.	8 943	19 669	
71 700	TransForce Inc.	1 704	2 122	
59 500	WSP Global Inc.	2 009	2 074	
		18 340	29 667	6.6
Information Technology				
90 700	Avigilon Corp.	2 557	1 740	
72 900	CGI Group Inc., Class A	2 481	3 229	
63 800	Open Text Corp.	1 781	4 314	
318 600	Redknee Solutions Inc.	1 845	1 192	
		8 664	10 475	2.3

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

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
52 800	Agnico Eagle Mines Ltd.	\$ 1 914	\$ 1 527	
36 000	Agrium Inc.	2 630	3 960	
607 200	B2Gold Corp.	2 026	1 154	
217 000	Barrick Gold Corp.	5 757	2 717	
394 800	Canexus Corp.	2 745	1 287	
145 900	Detour Gold Corp.	1 519	1 385	
102 900	Dominion Diamond Corp.	1 508	2 148	
237 200	Eldorado Gold Corp.	2 512	1 679	
143 291	First Quantum Minerals Ltd.	2 866	2 366	
229 900	Goldcorp Inc.	9 134	4 945	
250 600	Lundin Mining Corp.	1 292	1 433	
31 700	Methanex Corp.	2 093	1 692	
196 400	Potash Corporation of Saskatchewan Inc.	8 733	8 066	
266 500	Sandstorm Gold Ltd.	2 297	1 050	
82 900	Silver Wheaton Corp.	2 394	1 959	
125 040	Tahoe Resources Inc.	2 235	2 019	
129 900	Teck Resources Ltd., Class B	4 716	2 063	
1 816 100	Torex Gold Resources Inc.	2 756	2 234	
33 000	West Fraser Timber Co. Ltd.	1 607	2 194	
930 000	Western Forest Products Inc.	2 325	2 511	
		<u>63 059</u>	<u>48 389</u>	<u>10.7</u>
Telecommunication Services				
168 400	BCE Inc.	6 200	8 972	
82 700	Rogers Communications Inc., Class B	2 395	3 736	
		<u>8 595</u>	<u>12 708</u>	<u>2.8</u>
Utilities				
280 200	Algonquin Power & Utilities Corp.	1 909	2 701	
50 500	Canadian Utilities Ltd., Class A	1 801	2 066	
219 691	Crius Energy Trust	1 911	1 125	
189 600	Superior Plus Corp.	1 438	2 273	
		<u>7 059</u>	<u>8 165</u>	<u>1.8</u>
Other				
82 000	iShares Russell 2000 Fund	11 175	11 396	
		<u>11 175</u>	<u>11 396</u>	<u>2.5</u>
TOTAL CANADIAN EQUITIES		<u>364 858</u>	<u>438 479</u>	<u>96.9</u>

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS[‡]				
3 820	Bank of Nova Scotia	\$ 3 816	\$ 3 816	
3 848	Canadian Imperial Bank of Commerce	3 845	3 845	
15 000	National Bank of Canada	14 984	14 984	
TOTAL SHORT-TERM INVESTMENTS		<u>22 645</u>	<u>22 645</u>	<u>5.0</u>
TOTAL INVESTMENTS		<u>387 503</u>	<u>461 124</u>	<u>101.9</u>
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	72	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	(105)	–
TOTAL PORTFOLIO		<u>\$ 387 503</u>	<u>461 091</u>	<u>101.9</u>
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>(8 689)</u>	<u>(1.9)</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 452 402</u>	<u>100.0</u>

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.00% to 1.23% and mature between January 2, 2015 and January 30, 2015.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 8 087 Sold CAD 9 379 @ 1.1599	05-Jan-15	\$ 15
Bought USD 480 Sold CAD 551 @ 1.1469	03-Feb-15	8
Bought USD 584 Sold CAD 665 @ 1.1391	03-Feb-15	14
Bought USD 868 Sold CAD 984 @ 1.1338	03-Feb-15	25
Bought USD 530 Sold CAD 606 @ 1.1442	03-Feb-15	10
		<u>\$ 72</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 3 726 Sold USD 3 287 @ 1.1337	03-Feb-15	\$ (95)
Bought CAD 56 Sold USD 50 @ 1.1262	03-Feb-15	(2)
Bought CAD 4 700 Sold USD 4 050 @ 1.1606	03-Feb-15	(8)
		<u>\$ (105)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (33)</u>

All counterparties have a credit rating of at least A.

Statements of Financial Position (in \$000s except per unit amounts)

<small>(see note 2 and note 8 in the generic notes)</small>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 461 124	\$ 450 386	\$ 373 185
Cash	43	2	96
Due from investment dealers	–	–	8 373
Subscriptions receivable	137	35	13
Unrealized gain on foreign exchange contracts	72	40	122
Dividends receivable, interest accrued and other assets	883	992	988
TOTAL ASSETS	462 259	451 455	382 777
LIABILITIES			
Due to investment dealers	9 395	7 214	7 760
Redemptions payable	196	52	111
Unrealized loss on foreign exchange contracts	105	424	5
Accounts payable and accrued expenses	161	152	166
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	9 857	7 842	8 042
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 452 402	\$ 443 613	\$ 374 735
Investments at cost	\$ 387 503	\$ 388 298	\$ 356 161
NAV			
SERIES C	\$ 3 037	\$ 2 801	\$ 2 722
ADVISOR SERIES	\$ 155	\$ 147	\$ 68
SERIES D	\$ 134 270	\$ 138 825	\$ 149 035
SERIES F	\$ 437	\$ 498	\$ 473
SERIES O	\$ 314 503	\$ 301 342	\$ 222 437
NAV PER UNIT			
SERIES C	\$ 33.47	\$ 31.23	\$ 27.82
ADVISOR SERIES	\$ 33.47	\$ 31.22	\$ 27.82
SERIES D	\$ 33.07	\$ 30.83	\$ 27.46
SERIES F	\$ 33.28	\$ 31.03	\$ 27.64
SERIES O	\$ 33.93	\$ 31.64	\$ 28.18

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 11 258	\$ 10 373
Interest for distribution purposes	197	223
Other income (loss)	607	592
Net realized gain (loss) on investments	25 746	2 822
Net gain (loss) on foreign currencies and other net assets	(720)	(249)
Change in unrealized gain (loss) on investments	11 884	44 563
TOTAL INCOME (LOSS)	48 972	58 324
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 480	1 440
Administration fees	277	242
Board of Governors costs	3	3
GST/HST	139	145
Transaction costs	392	267
Withholding tax	46	63
TOTAL EXPENSES	2 337	2 160
INCREASE (DECREASE) IN NAV	\$ 46 635	\$ 56 164
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 210	\$ 332
ADVISOR SERIES	\$ 11	\$ 18
SERIES D	\$ 12 200	\$ 17 798
SERIES F	\$ 43	\$ 61
SERIES O	\$ 34 171	\$ 37 955
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 2.84	\$ 3.69
ADVISOR SERIES	\$ 2.84	\$ 3.40
SERIES D	\$ 3.08	\$ 3.90
SERIES F	\$ 3.21	\$ 4.01
SERIES O	\$ 3.57	\$ 4.35

Statements of Cash Flow (in \$000s)For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 46 635	\$ 56 164
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(25 261)	(2 809)
Change in unrealized loss (gain) on investments	(11 884)	(44 563)
(Increase) decrease in accrued receivables	109	8 369
Increase (decrease) in accrued payables	2 190	(560)
Cost of investments purchased	(847 280)	(840 449)
Proceeds on sales of investments	873 336	811 121
NET CASH PROVIDED BY OPERATING ACTIVITIES	37 845	(12 727)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	62 396	58 775
Cash paid on redemption of redeemable units	(100 091)	(46 068)
Distributions paid to holders of redeemable units	(109)	(74)
NET CASH USED IN FINANCING ACTIVITIES	\$ (37 804)	\$ 12 633
Net increase (decrease) in cash for the year	41	(94)
Cash (bank overdraft), beginning of period	2	96
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 43	\$ 2
Interest received	\$ 200	\$ 223
Dividends received, net of withholding taxes	\$ 11 925	\$ 10 898

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 801	\$ 2 722	\$ 147	\$ 68	\$ 138 825	\$ 149 035	\$ 498	\$ 473
INCREASE (DECREASE) IN NAV	210	332	11	18	12 200	17 798	43	61
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	954	521	8	161	3 212	2 846	13	224
Reinvestments of distributions to holders of redeemable units	21	14	1	1	1 951	1 784	7	8
Redemption of redeemable units	(928)	(773)	(11)	(100)	(19 944)	(30 832)	(116)	(260)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	47	(238)	(2)	62	(14 781)	(26 202)	(96)	(28)
Distributions from net income	(21)	(15)	(1)	(1)	(1 974)	(1 806)	(8)	(8)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(21)	(15)	(1)	(1)	(1 974)	(1 806)	(8)	(8)
NET INCREASE (DECREASE) IN NAV	236	79	8	79	(4 555)	(10 210)	(61)	25
NAV AT END OF PERIOD	\$ 3 037	\$ 2 801	\$ 155	\$ 147	\$ 134 270	\$ 138 825	\$ 437	\$ 498

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 301 342	\$ 222 437	\$ 443 613	\$ 374 735
INCREASE (DECREASE) IN NAV	34 171	37 955	46 635	56 164
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	58 311	55 045	62 498	58 797
Reinvestments of distributions to holders of redeemable units	7 947	7 189	9 927	8 996
Redemption of redeemable units	(79 236)	(14 044)	(100 235)	(46 009)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(12 978)	48 190	(27 810)	21 784
Distributions from net income	(8 032)	(7 240)	(10 036)	(9 070)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(8 032)	(7 240)	(10 036)	(9 070)
NET INCREASE (DECREASE) IN NAV	13 161	78 905	8 789	68 878
NAV AT END OF PERIOD	\$ 314 503	\$ 301 342	\$ 452 402	\$ 443 613

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

December 31, 2014

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 primarily in a well-diversified portfolio of Canadian common stocks. The Fund also may invest a portion of its assets in U.S. and international securities in order to achieve greater exposure to industries that are not well represented in Canada.

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

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.2% (December 31, 2013 – 0.4%, January 1, 2013 – 2.0%) of the net assets of the Fund.

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	38.0	31.9	33.3
Energy	21.2	23.5	22.5
Materials	10.7	9.9	15.7
Industrials	7.1	4.5	5.5
Consumer Discretionary	6.9	6.2	4.8
Health Care	4.5	2.8	1.8
Telecommunication Services	2.8	2.8	2.8
Information Technology	2.3	1.8	1.0
Consumer Staples	2.1	2.4	1.7
Utilities	1.3	1.5	0.8
Index Funds	–	9.5	5.0
Cash/Other	3.1	3.2	5.1

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.0	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	437 479	–	1 000	438 479
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	22 645	–	22 645
Derivatives – assets	–	72	–	72
Derivatives – liabilities	–	(105)	–	(105)
Total financial instruments	437 479	22 612	1 000	461 091
% of total portfolio	94.9	4.9	0.2	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	427 325	1 944	–	429 269
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	21 117	–	21 117
Derivatives – assets	–	40	–	40
Derivatives – liabilities	–	(424)	–	(424)
Total financial instruments	427 325	22 677	–	450 002
% of total portfolio	95.0	5.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	349 291	4 336	2 197	355 824
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 361	–	17 361
Derivatives – assets	–	122	–	122
Derivatives – liabilities	–	(5)	–	(5)
Total financial instruments	349 291	21 814	2 197	373 302
% of total portfolio	93.6	5.8	0.6	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

December 31, 2014

During the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2014	December 31 2013	January 1 2013
Balance at beginning of period	–	2 197	–
Net purchases	1 000	–	2 376
Net sales	–	–	–
Net transfers in	–	–	–
Net transfers out	–	(2 796)	(431)
Realized gains (losses)	–	–	(15)
Unrealized gains (losses)	–	599	267
Balance at end of period	1 000	–	2 197

The Fund fair values certain of its Level 3 investments (privately held investments) using prior transaction prices (acquisition cost), although the transaction may not have occurred during the current reporting period. As there may not be a secondary market, and/or there are a limited number of investors, the valuations are reviewed utilizing available market information to determine if the carrying value should be adjusted. Such market information may include, but is not limited to, observations of the trading multiples of public companies considered comparable to the private companies being valued, financial or operational information released by the company, and/or news or corporate events that affect the investment. Valuations may be adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the investments being fair valued by the Fund.

As at December 31, 2014, a 5% increase or decrease in the fair valuations using significant unobservable inputs on Level 3 investments would have increased or decreased the Fund's net assets, respectively, by approximately 0.0% (December 31, 2013 – 0.0%, January 1, 2013 – 0.0%).

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.04%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	19	19
Advisor Series	36	36
Series F	20	19
Series O	20	20
Value of all units	3	3

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	1 740
Non-capital losses	–

Unitholders' equity (000s)

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

December 31, 2014

For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	90	98
Issued number of units	28	19
Reinvested number of units	1	–
Redeemed number of units	(28)	(27)
Ending number of units	91	90
Advisor Series		
Opening units	5	2
Issued number of units	–	6
Reinvested number of units	–	–
Redeemed number of units	–	(3)
Ending number of units	5	5
Series D		
Opening units	4 503	5 427
Issued number of units	97	100
Reinvested number of units	60	59
Redeemed number of units	(599)	(1 083)
Ending number of units	4 061	4 503
Series F		
Opening units	16	17
Issued number of units	1	8
Reinvested number of units	–	–
Redeemed number of units	(4)	(9)
Ending number of units	13	16
Series O		
Opening units	9 526	7 893
Issued number of units	1 708	1 886
Reinvested number of units	237	231
Redeemed number of units	(2 203)	(484)
Ending number of units	9 268	9 526

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	392	100	267	100
Related-party brokerage commissions*	16	4	20	7
Commission arrangements [†]	25	6	10	4

* See note 7 in the generic notes.

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

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
RBC Select Growth Portfolio	47.2	49.5
RBC Select Growth Class	–	0.1
RBC Select Aggressive Growth Portfolio	12.5	8.4
RBC Select Aggressive Growth Class	–	–
RBC Select Choices Growth Portfolio	2.2	2.1
RBC Select Choices Aggressive Growth Portfolio	2.3	2.2
RBC Target 2025 Education Fund	1.5	2.3
RBC Target 2030 Education Fund	1.5	0.6
Total	67.2	65.2

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	443 290	374 029
Revaluation of investments at FVTPL	323	706
Net assets attributable to holders of redeemable units	443 613	374 735
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		56 547
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(383)
Increase (decrease) in net assets attributable to holders of redeemable units		56 164

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
177 565	Cineplex Inc.	\$ 7 052	\$ 7 960	
93 600	Dollarama Inc.	4 560	5 560	
60 228	Linamar Corp.	2 875	4 273	
66 900	Magna International Inc., Class A	7 987	8 422	
176 900	Restaurant Brands International Inc.	7 865	8 049	
132 362	Thomson Corp.	5 036	6 204	
		35 375	40 468	4.8
Consumer Staples				
131 792	Alimentation Couche-Tard Inc.	3 775	6 417	
27 452	Empire Co. Ltd., Class A	1 853	2 405	
72 310	Loblaws Companies Ltd.	3 320	4 496	
185 900	Saputo Group Inc.	5 911	6 492	
		14 859	19 810	2.4
Energy				
473 889	ARC Resources Ltd.	14 256	11 922	
401 164	Calfrac Well Services Ltd.	6 039	4 016	
283 152	Canadian Natural Resources Ltd.	11 326	10 171	
564 018	Cenovus Energy Inc.	15 021	13 520	
367 789	Crescent Point Energy Corp.	15 228	9 897	
443 312	Enbridge Inc.	22 478	26 483	
504 702	Encana Corp.	11 278	8 161	
110 100	Keyera Corp.	7 979	8 926	
675 600	Northern Blizzard Resources Inc.	10 412	5 344	
158 500	PrairieSky Royalty Ltd.	5 040	4 850	
780 644	Precision Drilling Corp.	7 916	5 511	
172 365	Suncor Energy Inc.	6 943	6 360	
94 052	Tourmaline Oil Corp.	4 310	3 640	
364 419	TransCanada Corp.	19 034	20 808	
809 336	Trilogy Energy Corp.	16 731	6 402	
1 507 000	Trinidad Drilling Ltd.	14 125	7 836	
		188 116	153 847	18.3
Financials				
337 300	Bank of Montreal	27 817	27 719	
779 860	Bank of Nova Scotia	51 611	51 713	
484 491	Brookfield Asset Management Inc., Class A	25 603	28 207	
64 300	Brookfield Property Partners LP	1 549	1 701	
320 000	Canadian Imperial Bank of Commerce	32 359	31 949	
189 767	Canadian Real Estate Investment Trust	8 839	8 689	
691 800	CI Financial Corp.	22 201	22 338	
651 000	Cominar Real Estate Investment Trust	11 848	12 115	
1 128 637	Crombie Real Estate Investment Trust	14 441	14 582	
335 161	Industrial Alliance Insurance & Financial Services Inc.	14 569	14 891	
992 869	Manulife Financial Corporation	20 299	22 022	
234 800	Manulife Financial Corporation, Subscription Receipts	5 048	5 198	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
195 486	Power Corporation of Canada	\$ 5 845	\$ 6 209	
3 293 448	Pure Industrial Real Estate Investment Trust	14 920	14 623	
772 149	Royal Bank of Canada*	56 106	61 957	
256 420	Sun Life Financial Inc.	10 818	10 749	
972 335	Toronto-Dominion Bank	50 725	53 974	
		374 598	388 636	46.4
Industrials				
357 500	Canadian National Railway Co.	27 968	28 607	
650 700	Finning International Inc.	18 057	16 417	
339 439	SNC-Lavalin Group Inc.	16 574	15 041	
238 296	Toromont Industries Ltd.	6 092	6 794	
		68 691	66 859	8.0
Information Technology				
116 780	Open Text Corp.	6 942	7 895	
		6 942	7 895	0.9
Materials				
530 109	Agnico Eagle Mines Ltd.	16 096	15 331	
107 406	Agrium Inc.	10 987	11 815	
1 015 174	Eldorado Gold Corp.	6 935	7 187	
492 213	Goldcorp Inc.	11 623	10 588	
		45 641	44 921	5.4
Telecommunication Services				
345 627	Rogers Communications Inc., Class B	14 936	15 612	
381 995	TELUS Corp.	15 124	16 002	
		30 060	31 614	3.8
Utilities				
157 187	Brookfield Infrastructure Partners LP	6 644	7 647	
189 930	Brookfield Renewable Energy Partners LP	5 932	6 818	
175 634	Canadian Utilities Ltd., Class A	6 938	7 185	
339 579	Fortis Inc.	12 406	13 230	
336 590	Pattern Energy Group Inc.	10 054	9 438	
		41 974	44 318	5.3
TOTAL CANADIAN EQUITIES				
		806 256	798 368	95.3
SHORT-TERM INVESTMENTS†				
		40 940	40 941	4.9
TOTAL INVESTMENTS				
		\$ 847 196	839 309	100.2
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(1 480)	(0.2)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		\$ 837 829		100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.16% to 1.20% and mature between January 2, 2015 and January 6, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 839 309	\$ 178 700	\$ 151 549
Cash	456	187	158
Due from investment dealers	26 256	–	319
Subscriptions receivable	76	89	110
Dividends receivable, interest accrued and other assets	1 919	409	661
TOTAL ASSETS	868 016	179 385	152 797
LIABILITIES			
Due to investment dealers	24 834	90	411
Redemptions payable	5 214	14	120
Accounts payable and accrued expenses	139	89	97
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	30 187	193	628
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 837 829	\$ 179 192	\$ 152 169
Investments at cost	\$ 847 196	\$ 162 487	\$ 142 625
NAV			
SERIES C	\$ 6 152	\$ 5 619	\$ 4 999
ADVISOR SERIES	\$ 1 334	\$ 1 286	\$ 559
SERIES D	\$ 75 124	\$ 73 018	\$ 81 791
SERIES F	\$ 938	\$ 733	\$ 552
SERIES O	\$ 754 281	\$ 98 536	\$ 64 268
NAV PER UNIT			
SERIES C	\$ 14.35	\$ 13.52	\$ 11.82
ADVISOR SERIES	\$ 14.35	\$ 13.52	\$ 11.82
SERIES D	\$ 14.31	\$ 13.47	\$ 11.78
SERIES F	\$ 14.34	\$ 13.52	\$ 11.84
SERIES O	\$ 14.30	\$ 13.42	\$ 11.73

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 15 861	\$ 4 968
Interest for distribution purposes	255	21
Other income (loss)	807	313
Net realized gain (loss) on investments	34 876	15 651
Net gain (loss) on foreign currencies and other net assets	18	(1)
Change in unrealized gain (loss) on investments	(24 100)	7 289
TOTAL INCOME (LOSS)	27 717	28 241
EXPENSES (see notes – Fund Specific Information)		
Management fees	915	870
Administration fees	392	129
Board of Governors costs	3	3
GST/HST	110	92
Transaction costs	2 785	872
Withholding tax	27	–
TOTAL EXPENSES	4 232	1 966
INCREASE (DECREASE) IN NAV	\$ 23 485	\$ 26 275
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 363	\$ 780
ADVISOR SERIES	\$ 94	\$ 140
SERIES D	\$ 5 552	\$ 11 234
SERIES F	\$ 58	\$ 106
SERIES O	\$ 17 418	\$ 14 015
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.60	\$ 1.82
ADVISOR SERIES	\$ 0.60	\$ 1.77
SERIES D	\$ 0.75	\$ 1.92
SERIES F	\$ 0.74	\$ 1.95
SERIES O	\$ 0.55	\$ 2.05

Statements of Cash Flow (in \$000s)For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 23 485	\$ 26 275
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(34 876)	(15 651)
Change in unrealized loss (gain) on investments	24 100	(7 289)
(Increase) decrease in accrued receivables	(27 766)	571
Increase (decrease) in accrued payables	24 794	(329)
Cost of investments purchased	(3 453 932)	(525 260)
Proceeds on sales of investments	2 804 099	521 049
NET CASH PROVIDED BY OPERATING ACTIVITIES	(640 096)	(634)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	715 801	51 072
Cash paid on redemption of redeemable units	(74 691)	(49 799)
Distributions paid to holders of redeemable units	(745)	(610)
NET CASH USED IN FINANCING ACTIVITIES	\$ 640 365	\$ 663
Net increase (decrease) in cash for the year	269	29
Cash (bank overdraft), beginning of period	187	158
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 456	\$ 187
Interest received	\$ 249	\$ 21
Dividends received, net of withholding taxes	\$ 15 137	\$ 5 532

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 5 619	\$ 4 999	\$ 1 286	\$ 559	\$ 73 018	\$ 81 791	\$ 733	\$ 552
INCREASE (DECREASE) IN NAV	363	780	94	140	5 552	11 234	58	106
Early redemption fees	–	–	–	–	1	–	–	–
Proceeds from redeemable units issued	1 728	1 411	554	1 279	14 764	12 052	528	442
Reinvestments of distributions to holders of redeemable units	44	41	10	8	1 125	1 198	14	10
Redemption of redeemable units	(1 551)	(1 564)	(598)	(690)	(18 108)	(31 917)	(378)	(362)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	221	(112)	(34)	597	(2 218)	(18 667)	164	90
Distributions from net income	(47)	(48)	(11)	(10)	(1 175)	(1 340)	(16)	(15)
Distributions from net gains	(4)	–	(1)	–	(53)	–	(1)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(51)	(48)	(12)	(10)	(1 228)	(1 340)	(17)	(15)
NET INCREASE (DECREASE) IN NAV	533	620	48	727	2 106	(8 773)	205	181
NAV AT END OF PERIOD	\$ 6 152	\$ 5 619	\$ 1 334	\$ 1 286	\$ 75 124	\$ 73 018	\$ 938	\$ 733

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 98 536	\$ 64 268	\$ 179 192	\$ 152 169
INCREASE (DECREASE) IN NAV	17 418	14 015	23 485	26 275
Early redemption fees	–	–	1	–
Proceeds from redeemable units issued	698 214	35 867	715 788	51 051
Reinvestments of distributions to holders of redeemable units	12 089	1 873	13 282	3 130
Redemption of redeemable units	(59 257)	(15 160)	(79 892)	(49 693)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	651 046	22 580	649 179	4 488
Distributions from net income	(12 185)	(2 327)	(13 434)	(3 740)
Distributions from net gains	(534)	–	(593)	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(12 719)	(2 327)	(14 027)	(3 740)
NET INCREASE (DECREASE) IN NAV	655 745	34 268	658 637	27 023
NAV AT END OF PERIOD	\$ 754 281	\$ 98 536	\$ 837 829	\$ 179 192

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with capital preservation and a reasonably consistent level of income.

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

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	46.3	39.8	35.2
Energy	18.4	31.8	24.8
Industrials	8.0	3.4	6.0
Materials	5.4	4.8	6.2
Utilities	5.3	7.7	7.2
Consumer Discretionary	4.8	3.1	7.1
Telecommunication Services	3.8	3.4	8.4
Consumer Staples	2.4	4.0	1.7
Information Technology	0.9	0.9	–
Health Care	–	–	1.1
Cash/Other	4.7	1.1	2.3

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.8	+ or - 0.8	+ or - 0.8
S&P/TSX Capped Income			
Trust Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.6

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	798 368	–	–	798 368
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	40 941	–	40 941
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	798 368	40 941	–	839 309
% of total portfolio	95.1	4.9	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	177 250	–	–	177 250
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 450	–	1 450
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	177 250	1 450	–	178 700
% of total portfolio	99.2	0.8	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	148 699	–	–	148 699
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 850	–	2 850
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	148 699	2 850	–	151 549
% of total portfolio	98.1	1.9	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

December 31, 2014

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	49	49
Advisor Series	97	96
Series D	51	50
Series F	52	51
Series O	54	53
Value of all units	4	4

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	416	423
Issued number of units	116	116
Reinvested number of units	3	3
Redeemed number of units	(106)	(126)
Ending number of units	429	416

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	95	47
Issued number of units	37	103
Reinvested number of units	1	1
Redeemed number of units	(40)	(56)
Ending number of units	93	95
Series D		
Opening units	5 421	6 943
Issued number of units	1 008	972
Reinvested number of units	77	97
Redeemed number of units	(1 255)	(2 591)
Ending number of units	5 251	5 421
Series F		
Opening units	54	47
Issued number of units	35	35
Reinvested number of units	1	1
Redeemed number of units	(25)	(29)
Ending number of units	65	54
Series O		
Opening units	7 340	5 480
Issued number of units	48 648	2 924
Reinvested number of units	818	151
Redeemed number of units	(4 045)	(1 215)
Ending number of units	52 761	7 340

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	2 785	100	872	100
Related-party brokerage commissions*	360	13	115	13
Commission arrangements†	321	12	56	6

* See note 7 in the generic notes.

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

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
RBC Managed Payout Solution	48.6	–
RBC Managed Payout Solution – Enhanced	28.0	–
Total	76.6	–

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	179 086	151 873
Revaluation of investments at FVTPL	106	296
Net assets attributable to holders of redeemable units	179 192	152 169
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		26 465
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(190)
Increase (decrease) in net assets attributable to holders of redeemable units		26 275

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH VINTAGE FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
16 150	BRP Inc.	\$ 389	\$ 391	
9 800	Dollarama Inc.	291	582	
16 700	easyhome Ltd.	366	335	
3 600	Gildan Activewear Inc., Class A	137	237	
13 200	Great Canadian Gaming Corp.	129	273	
40 600	Leon's Furniture Ltd.	516	727	
6 700	Linamar Corp.	137	475	
3 900	Magna International Inc., Class A	228	491	
20 900	Quebecor Inc., Class B	446	668	
9 816	Restaurant Brands International Inc.	422	447	
99 700	RONA Inc.	1 196	1 381	
		4 257	6 007	11.9
Consumer Staples				
15 000	Alimentation Couche-Tard Inc.	246	730	
2 400	Empire Co. Ltd., Class A	167	210	
4 000	Loblaw Companies Ltd.	182	249	
12 800	Maple Leaf Foods Inc.	155	249	
		750	1 438	2.8
Energy				
26 300	ARC Resources Ltd.	674	662	
58 800	Calfrac Well Services Ltd.	825	589	
27 000	Cameco Corp.	565	514	
20 800	Canadian Natural Resources Ltd.	690	747	
54 500	Cenovus Energy Inc.	1 574	1 306	
26 700	Crescent Point Energy Corp.	988	718	
22 200	Enbridge Inc.	1 065	1 326	
20 200	Encana Corp.	418	327	
3 100	Keyera Corp.	240	251	
9 000	MEG Energy Corp.	170	176	
10 100	PrairieSky Royalty Ltd.	338	309	
50 300	Precision Drilling Corp.	381	355	
10 700	Secure Energy Services Inc.	161	182	
9 200	Seven Generations Energy Ltd.	170	161	
10 400	Suncor Energy Inc.	385	384	
7 100	Tourmaline Oil Corp.	199	275	
16 700	TransCanada Corp.	842	954	
35 600	Trilogy Energy Corp.	879	282	
265 400	Trinidad Drilling Ltd.	1 933	1 380	
		12 497	10 898	21.6
Financials				
5 000	Allied Properties Real Estate Investment Trust	176	187	
28 700	Altus Group Ltd.	583	597	
49 000	Bank of Nova Scotia	2 808	3 249	
15 000	Brookfield Asset Management Inc., Class A	560	873	
4 100	Brookfield Property Partners LP	99	108	
19 400	Canaccord Genuity Group Inc.	140	152	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
22 600	CI Financial Corp.	\$ 723	\$ 730	
94 800	Element Financial Corp.	912	1 340	
13 300	Home Capital Group Inc.	330	638	
21 400	Industrial Alliance Insurance & Financial Services Inc.	839	951	
42 800	Manulife Financial Corporation	888	949	
9 500	Manulife Financial Corporation, Subscription Receipts	204	210	
40 100	Royal Bank of Canada*	2 291	3 218	
61 200	The Westaim Corp.	162	187	
62 600	Toronto-Dominion Bank	2 460	3 475	
		13 175	16 864	33.4
Health Care				
12 600	Catamaran Corp.	579	758	
9 700	Valeant Pharmaceuticals International Inc.	907	1 613	
		1 486	2 371	4.7
Industrials				
30 800	Badger Daylighting Ltd.	526	815	
13 300	Boyd Group Income Fund	427	633	
5 000	Canadian National Railway Co.	145	400	
24 600	Finning International Inc.	581	621	
5 700	MacDonald Dettwiler & Associates Ltd.	379	541	
5 200	Richelieu Hardware Ltd.	168	296	
15 600	SNC-Lavalin Group Inc.	725	691	
7 000	Stantec Inc.	161	224	
9 300	Toromont Industries Ltd.	176	265	
14 500	WSP Global Inc.	520	505	
		3 808	4 991	9.9
Information Technology				
12 500	CGI Group Inc., Class A	370	554	
1 300	Constellation Software Inc.	157	449	
25 000	Descartes Systems Group Inc.	368	431	
13 600	DH Corp.	378	499	
15 000	Kinaxis Inc.	195	278	
4 200	Open Text Corp.	162	284	
		1 630	2 495	4.9
Materials				
6 100	Agrium Inc.	557	671	
2 900	CCL Industries, Class B	180	365	
8 900	First Quantum Minerals Ltd.	175	147	
289 600	Polaris Minerals Corp.	430	657	
11 600	Potash Corporation of Saskatchewan Inc.	469	476	
20 000	Sherritt International Corp.	149	60	
10 900	Stella-Jones Inc.	185	357	
11 100	Teck Resources Ltd., Class B	170	176	
48 670	Turquoise Hill Resources Ltd.	334	175	
		2 649	3 084	6.1

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

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
8 700	Rogers Communications Inc., Class B	\$ 374	\$ 393	
16 600	TELUS Corp.	539	695	
		<u>913</u>	<u>1 088</u>	<u>2.1</u>
Utilities				
7 200	Superior Plus Corp.	82	86	
		<u>82</u>	<u>86</u>	<u>0.2</u>
TOTAL CANADIAN EQUITIES		<u>41 247</u>	<u>49 322</u>	<u>97.6</u>
SHORT-TERM INVESTMENTS†		<u>675</u>	<u>675</u>	<u>1.3</u>
TOTAL INVESTMENTS		<u>\$ 41 922</u>	<u>49 997</u>	<u>98.9</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>535</u>	<u>1.1</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 50 532</u>	<u>100.0</u>

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.20% to 1.23% and mature between January 2, 2015 and January 5, 2015.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 49 997	\$ 39 759	\$ 30 989
Cash	239	231	129
Due from investment dealers	276	–	–
Subscriptions receivable	64	52	1
Dividends receivable, interest accrued and other assets	92	57	55
TOTAL ASSETS	50 668	40 099	31 174
LIABILITIES			
Redemptions payable	81	2	3
Accounts payable and accrued expenses	55	43	36
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	136	45	39
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 50 532	\$ 40 054	\$ 31 135
Investments at cost	\$ 41 922	\$ 30 372	\$ 29 101
NAV			
SERIES C	\$ 2 160	\$ 529	\$ 186
ADVISOR SERIES	\$ 500	\$ 40	\$ 45
SERIES D	\$ 37 446	\$ 34 678	\$ 28 550
SERIES F	\$ 1 685	\$ 130	\$ 100
SERIES O	\$ 8 741	\$ 4 677	\$ 2 254
NAV PER UNIT			
SERIES C	\$ 27.22	\$ 24.50	\$ 18.43
ADVISOR SERIES	\$ 27.25	\$ 24.53	\$ 18.43
SERIES D	\$ 28.25	\$ 25.26	\$ 18.85
SERIES F	\$ 29.37	\$ 26.25	\$ 19.58
SERIES O	\$ 30.70	\$ 27.42	\$ 20.45

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 004	\$ 675
Interest for distribution purposes	8	4
Other income (loss)	11	–
Net realized gain (loss) on investments	6 057	2 539
Change in unrealized gain (loss) on investments	(1 312)	7 499
TOTAL INCOME (LOSS)	5 768	10 717
EXPENSES (see notes – Fund Specific Information)		
Management fees	524	385
Administration fees	43	33
Board of Governors costs	3	3
GST/HST	44	35
Transaction costs	52	46
Expenses reimbursed by manager	(3)	–
TOTAL EXPENSES	663	502
INCREASE (DECREASE) IN NAV	\$ 5 105	\$ 10 215
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 60	\$ 81
ADVISOR SERIES	\$ 2	\$ 7
SERIES D	\$ 4 198	\$ 8 977
SERIES F	\$ 128	\$ 30
SERIES O	\$ 717	\$ 1 120
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 2.56	\$ 6.10
ADVISOR SERIES	\$ 2.52	\$ 5.71
SERIES D	\$ 2.95	\$ 6.45
SERIES F	\$ 3.05	\$ 6.75
SERIES O	\$ 3.61	\$ 7.39

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 5 105	\$ 10 215
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(6 040)	(2 524)
Change in unrealized loss (gain) on investments	1 312	(7 499)
(Increase) decrease in accrued receivables	(311)	(2)
Increase (decrease) in accrued payables	12	7
Cost of investments purchased	(127 178)	(81 789)
Proceeds on sales of investments	121 668	83 042
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5 432)	1 450
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	19 482	5 920
Cash paid on redemption of redeemable units	(14 004)	(7 257)
Distributions paid to holders of redeemable units	(38)	(11)
NET CASH USED IN FINANCING ACTIVITIES	\$ 5 440	\$ (1 348)
Net increase (decrease) in cash for the year	8	102
Cash (bank overdraft), beginning of period	231	129
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 239	\$ 231
Interest received	\$ 8	\$ 4
Dividends received, net of withholding taxes	\$ 980	\$ 675

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 529	\$ 186	\$ 40	\$ 45	\$ 34 678	\$ 28 550	\$ 130	\$ 100
INCREASE (DECREASE) IN NAV	60	81	2	7	4 198	8 977	128	30
Early redemption fees	–	–	–	–	3	–	–	–
Proceeds from redeemable units issued	2 330	413	705	58	9 612	3 536	2 650	36
Reinvestments of distributions to holders of redeemable units	–	–	–	–	73	–	4	–
Redemption of redeemable units	(759)	(151)	(247)	(70)	(11 045)	(6 385)	(1 220)	(36)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 571	262	458	(12)	(1 357)	(2 849)	1 434	–
Distributions from net income	–	–	–	–	(73)	–	(7)	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	(73)	–	(7)	–
NET INCREASE (DECREASE) IN NAV	1 631	343	460	(5)	2 768	6 128	1 555	30
NAV AT END OF PERIOD	\$ 2 160	\$ 529	\$ 500	\$ 40	\$ 37 446	\$ 34 678	\$ 1 685	\$ 130

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 4 677	\$ 2 254	\$ 40 054	\$ 31 135
INCREASE (DECREASE) IN NAV	717	1 120	5 105	10 215
Early redemption fees	–	–	3	–
Proceeds from redeemable units issued	4 197	1 928	19 494	5 971
Reinvestments of distributions to holders of redeemable units	93	48	170	48
Redemption of redeemable units	(815)	(614)	(14 086)	(7 256)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	3 475	1 362	5 581	(1 237)
Distributions from net income	(128)	(59)	(208)	(59)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(128)	(59)	(208)	(59)
NET INCREASE (DECREASE) IN NAV	4 064	2 423	10 478	8 919
NAV AT END OF PERIOD	\$ 8 741	\$ 4 677	\$ 50 532	\$ 40 054

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and dividend income by investing primarily in a well-diversified portfolio of Canadian common stocks listed on the TSX.

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

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.0% (December 31, 2013 – 0.0%, January 1, 2013 – 2.6%) of the net assets of the Fund.

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	33.4	28.2	25.9
Energy	21.6	18.0	21.9
Consumer Discretionary	11.9	13.5	13.1
Industrials	10.0	13.4	12.5
Materials	6.1	7.2	11.8
Information Technology	4.9	6.5	5.0
Health Care	4.7	2.9	2.1
Consumer Staples	2.8	6.2	4.0
Telecommunication Services	2.2	1.6	1.6
Index Funds	–	1.2	–
Cash/Other	2.4	1.3	2.1

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.9	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	49 322	–	–	49 322
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	675	–	675
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	49 322	675	–	49 997
% of total portfolio	98.6	1.4	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	39 484	–	–	39 484
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	275	–	275
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	39 484	275	–	39 759
% of total portfolio	99.3	0.7	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	29 698	791	–	30 489
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	500	–	500
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	29 698	1 291	–	30 989
% of total portfolio	95.8	4.2	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

December 31, 2014

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

Series C	2.00%
Advisor Series	2.00%
Series D	1.25%
Series F	1.00%

Operating expenses (see note 7 in the generic notes)

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

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	28	28
Advisor Series	55	55
Series F	27	27
Series O	27	27
Value of all units	4	3

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	31 247
Non-capital losses	–

Unitholders' equity (000s)

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

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	22	10
Issued number of units	85	20
Reinvested number of units	–	–
Redeemed number of units	(28)	(8)
Ending number of units	79	22
Advisor Series		
Opening units	2	2
Issued number of units	25	4
Reinvested number of units	–	–
Redeemed number of units	(9)	(4)
Ending number of units	18	2
Series D		
Opening units	1 373	1 515
Issued number of units	349	157
Reinvested number of units	3	–
Redeemed number of units	(399)	(299)
Ending number of units	1 326	1 373
Series F		
Opening units	5	5
Issued number of units	92	2
Reinvested number of units	–	–
Redeemed number of units	(40)	(2)
Ending number of units	57	5
Series O		
Opening units	171	110
Issued number of units	138	85
Reinvested number of units	3	2
Redeemed number of units	(27)	(26)
Ending number of units	285	171

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	52	100	46	100
Related-party brokerage commissions*	4	8	8	17
Commission arrangements [†]	4	8	5	11

* See note 7 in the generic notes.

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

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	40 014	31 038
Revaluation of investments at FVTPL	40	97
Net assets attributable to holders of redeemable units	40 054	31 135
	December 31 2013	
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		10 272
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(57)
Increase (decrease) in net assets attributable to holders of redeemable units		10 215

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH U.S. DIVIDEND INCOME FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
120 035	General Motors Co.	\$ 4 567	\$ 4 868	
87 331	Leggett & Platt Inc.	3 421	4 321	
17 400	McDonald's Corp.	1 916	1 894	
		9 904	11 083	5.8
Consumer Staples				
46 294	PepsiCo Inc.	3 036	5 086	
60 296	Sysco Corp.	2 216	2 780	
52 313	Wal-Mart Stores, Inc.	3 287	5 220	
		8 539	13 086	6.9
Energy				
83 092	Alliance Resource Partners, L.P.	4 110	4 157	
23 571	ConocoPhillips	1 631	1 891	
52 337	Exxon Mobil Corp.	3 618	5 621	
102 242	Noble Corporation plc	2 451	1 968	
		11 810	13 637	7.2
Financials				
21 199	Aflac Inc.	878	1 505	
151 720	AllianceBernstein Holding LP	3 073	4 549	
217 467	Annaly Mortgage Management Inc.	2 755	2 731	
118 785	Blackstone Group LP	2 586	4 663	
205 632	CatchMark Timber Trust Inc. Real Estate Investment Trust	2 898	2 704	
122 083	DuPont Fabros Technology Inc. Real Estate Investment Trust	3 782	4 715	
67 319	JPMorgan Chase & Co.	3 204	4 896	
58 931	MetLife Inc.	2 923	3 703	
40 292	Oaktree Capital Group LLC, Class A	2 249	2 426	
79 997	Wells Fargo & Company	2 870	5 095	
		27 218	36 987	19.5
Health Care				
81 054	AbbVie Inc.	4 393	6 162	
35 625	Computer Programs & Systems Inc.	2 661	2 514	
57 418	Johnson & Johnson	3 888	6 976	
88 528	Merck & Co. Inc.	3 403	5 841	
		14 345	21 493	11.3
Industrials				
12 118	Copa Holdings S.A., Class A	1 828	1 459	
77 031	Emerson Electric Co.	4 085	5 523	
211 847	General Electric Company	5 385	6 220	
15 356	Lockheed Martin Corporation	2 534	3 436	
24 940	Raytheon Company	1 713	3 135	
44 719	United Technologies Corp.	4 300	5 975	
		19 845	25 748	13.5

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
30 541	Apple Inc.	\$ 1 968	\$ 3 917	
179 752	Cisco Systems Inc.	4 236	5 809	
112 052	Intel Corp.	2 880	4 724	
97 273	Microsoft Corp.	2 558	5 249	
22 692	QUALCOMM Inc.	1 908	1 960	
63 571	Seagate Technology	4 148	4 911	
		17 698	26 570	14.0
Materials				
56 525	Dow Chemical Company	3 151	2 994	
49 945	Du Pont (E.I.) de Nemours and Company	3 461	4 289	
49 119	RPM Inc.	2 302	2 892	
75 340	Sonoco Products Company	3 163	3 827	
		12 077	14 002	7.4
Telecommunication Services				
128 248	AT&T Inc.	4 454	5 005	
86 710	Verizon Communications Inc.	4 462	4 711	
		8 916	9 716	5.1
Utilities				
20 166	Entergy Corp.	1 913	2 048	
116 554	Exelon Corp.	4 537	5 021	
97 055	Public Service Enterprise Group	4 087	4 667	
		10 537	11 736	6.2
TOTAL UNITED STATES EQUITIES		140 889	184 058	96.9
SHORT-TERM INVESTMENTS*		5 650	5 747	3.0
TOTAL INVESTMENTS		\$ 146 539	189 805	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			276	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 190 081		100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.08% to 0.23% and mature between January 2, 2015 and January 9, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 189 805	\$ 166 676	\$ 101 045
Cash	9	14	7
Due from investment dealers	–	–	3 832
Subscriptions receivable	204	604	125
Dividends receivable, interest accrued and other assets	326	226	155
TOTAL ASSETS	190 344	167 520	105 164
LIABILITIES			
Due to investment dealers	–	–	3 524
Redemptions payable	138	49	208
Accounts payable and accrued expenses	125	95	64
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	263	144	3 796
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 190 081	\$ 167 376	\$ 101 368
Investments at cost	\$ 146 539	\$ 127 346	\$ 95 804
NAV			
SERIES C	\$ 11 575	\$ 9 137	\$ 3 367
ADVISOR SERIES	\$ 11 345	\$ 7 286	\$ 1 780
SERIES D	\$ 68 368	\$ 59 344	\$ 48 677
SERIES F	\$ 4 597	\$ 3 336	\$ 1 479
SERIES O	\$ 94 196	\$ 88 273	\$ 46 065
NAV PER UNIT			
SERIES C	\$ 12.08	\$ 10.26	\$ 7.54
ADVISOR SERIES	\$ 12.08	\$ 10.26	\$ 7.54
SERIES D	\$ 12.01	\$ 10.20	\$ 7.49
SERIES F	\$ 11.98	\$ 10.17	\$ 7.47
SERIES O	\$ 12.02	\$ 10.21	\$ 7.50

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 6 002	\$ 4 257
Interest for distribution purposes	9	12
Net realized gain (loss) on investments	25 901	6 861
Net gain (loss) on foreign currencies and other net assets	110	42
Change in unrealized gain (loss) on investments	3 936	34 089
TOTAL INCOME (LOSS)	35 958	45 261
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 020	763
Administration fees	154	117
Board of Governors costs	3	3
GST/HST	103	78
Transaction costs	131	81
Withholding tax	1 079	746
TOTAL EXPENSES	2 490	1 788
INCREASE (DECREASE) IN NAV	\$ 33 468	\$ 43 473
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 1 758	\$ 1 904
ADVISOR SERIES	\$ 1 664	\$ 1 277
SERIES D	\$ 11 268	\$ 16 953
SERIES F	\$ 680	\$ 741
SERIES O	\$ 18 098	\$ 22 598
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.87	\$ 2.68
ADVISOR SERIES	\$ 1.87	\$ 2.63
SERIES D	\$ 1.97	\$ 2.78
SERIES F	\$ 2.00	\$ 2.78
SERIES O	\$ 2.10	\$ 2.88

Statements of Cash Flow *(in \$000s)*For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 33 468	\$ 43 473
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(25 849)	(6 859)
Change in unrealized loss (gain) on investments	(3 936)	(34 089)
(Increase) decrease in accrued receivables	(100)	3 761
Increase (decrease) in accrued payables	30	(3 493)
Cost of investments purchased	(352 140)	(334 237)
Proceeds on sales of investments	358 796	309 554
NET CASH PROVIDED BY OPERATING ACTIVITIES	10 269	(21 890)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	34 200	74 845
Cash paid on redemption of redeemable units	(43 652)	(52 554)
Distributions paid to holders of redeemable units	(822)	(394)
NET CASH USED IN FINANCING ACTIVITIES	\$ (10 274)	\$ 21 897
Net increase (decrease) in cash for the year	(5)	7
Cash (bank overdraft), beginning of period	14	7
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 9	\$ 14
Interest received	\$ 8	\$ 12
Dividends received, net of withholding taxes	\$ 4 824	\$ 3 440

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 9 137	\$ 3 367	\$ 7 286	\$ 1 780	\$ 59 344	\$ 48 677	\$ 3 336	\$ 1 479
INCREASE (DECREASE) IN NAV	1 758	1 904	1 664	1 277	11 268	16 953	680	741
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 703	5 226	3 453	6 761	14 400	27 368	1 639	1 441
Reinvestments of distributions to holders of redeemable units	59	21	57	17	898	629	59	37
Redemption of redeemable units	(1 020)	(1 359)	(1 055)	(2 531)	(16 599)	(33 624)	(1 043)	(318)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	742	3 888	2 455	4 247	(1 301)	(5 627)	655	1 160
Distributions from net income	(62)	(22)	(60)	(18)	(943)	(659)	(74)	(44)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(62)	(22)	(60)	(18)	(943)	(659)	(74)	(44)
NET INCREASE (DECREASE) IN NAV	2 438	5 770	4 059	5 506	9 024	10 667	1 261	1 857
NAV AT END OF PERIOD	\$ 11 575	\$ 9 137	\$ 11 345	\$ 7 286	\$ 68 368	\$ 59 344	\$ 4 597	\$ 3 336

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 88 273	\$ 46 065	\$ 167 376	\$ 101 368
INCREASE (DECREASE) IN NAV	18 098	22 598	33 468	43 473
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	12 605	34 528	33 800	75 324
Reinvestments of distributions to holders of redeemable units	1 620	1 549	2 693	2 253
Redemption of redeemable units	(24 024)	(14 563)	(43 741)	(52 395)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(9 799)	21 514	(7 248)	25 182
Distributions from net income	(2 376)	(1 904)	(3 515)	(2 647)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 376)	(1 904)	(3 515)	(2 647)
NET INCREASE (DECREASE) IN NAV	5 923	42 208	22 705	66 008
NAV AT END OF PERIOD	\$ 94 196	\$ 88 273	\$ 190 081	\$ 167 376

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing primarily in a well-diversified portfolio of dividend income-producing U.S. securities that have a relatively high yield.

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

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	19.4	18.9	17.2
Information Technology	14.0	13.0	11.2
Industrials	13.5	14.9	10.6
Health Care	11.3	13.1	18.2
Materials	7.4	5.2	3.8
Energy	7.2	11.7	13.6
Consumer Staples	6.9	11.9	10.4
Utilities	6.2	–	3.9
Consumer Discretionary	5.8	5.1	7.3
Telecommunication Services	5.1	4.3	2.0
Cash/Other	3.2	1.9	1.8

Currency risk (% of net assets)

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

	December 31 2014	December 31 2013	January 1 2013
Currency			
United States dollar	99.9	100.0	100.0
Total	99.9	100.0	100.0

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

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

	December 31 2014	December 31 2013	January 1 2013
S&P 500 Total Return Index (CAD)	+ or - 0.9	+ or - 0.9	+ or - 0.9

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	184 058	–	–	184 058
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	5 747	–	5 747
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	184 058	5 747	–	189 805
% of total portfolio	97.0	3.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	163 617	–	–	163 617
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 059	–	3 059
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	163 617	3 059	–	166 676
% of total portfolio	98.2	1.8	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	99 604	–	–	99 604
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 441	–	1 441
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	99 604	1 441	–	101 045
% of total portfolio	98.6	1.4	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.07%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	79	78
Advisor Series	154	154
Series F	83	82
Series O	86	84
Value of all units	5	4

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	25 530
Non-capital losses	–

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

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	890	447
Issued number of units	155	590
Reinvested number of units	5	2
Redeemed number of units	(92)	(149)
Ending number of units	958	890
Advisor Series		
Opening units	710	236
Issued number of units	319	745
Reinvested number of units	5	2
Redeemed number of units	(95)	(273)
Ending number of units	939	710
Series D		
Opening units	5 818	6 496
Issued number of units	1 319	3 126
Reinvested number of units	74	63
Redeemed number of units	(1 517)	(3 867)
Ending number of units	5 694	5 818
Series F		
Opening units	328	198
Issued number of units	147	162
Reinvested number of units	5	4
Redeemed number of units	(96)	(36)
Ending number of units	384	328
Series O		
Opening units	8 649	6 145
Issued number of units	1 144	3 966
Reinvested number of units	134	154
Redeemed number of units	(2 090)	(1 616)
Ending number of units	7 837	8 649

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	131	100	81	100
Related-party brokerage commissions*	–	–	40	49
Commission arrangements†	32	24	41	51

* See note 7 in the generic notes.

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

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	167 349	101 342
Revaluation of investments at FVTPL	27	26
Net assets attributable to holders of redeemable units	167 376	101 368
	December 31 2013	
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		43 472
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		1
Increase (decrease) in net assets attributable to holders of redeemable units		43 473

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Health Care				
71 800	Catamaran Corp.	\$ 3 686	\$ 4 317	
		3 686	4 317	0.2
Information Technology				
73 400	Open Text Corp.	2 461	4 968	
		2 461	4 968	0.2
TOTAL CANADIAN EQUITIES				
UNITED STATES EQUITIES				
Consumer Discretionary				
19 500	Amazon.com, Inc.	7 167	7 031	
112 303	Ascena Retail Group Inc.	1 887	1 639	
33 620	Bed Bath & Beyond Inc.	2 227	2 975	
86 500	Best Buy Co. Inc.	3 680	3 917	
91 850	Brunswick Corp.	4 296	5 470	
304 060	Comcast Corp., Class A	18 651	20 492	
21 300	Core-Mark Holding Co. Inc.	978	1 533	
33 900	Destination Maternity Corp.	994	628	
349 210	Destination XL Group Inc.	1 533	2 215	
49 450	Dick's Sporting Goods Inc.	2 435	2 852	
63 190	DISH Network Corp., Class A	4 531	5 351	
59 130	Dollar Tree Inc.	2 999	4 835	
43 261	Drew Industries Inc.	1 119	2 567	
483 665	Ford Motor Company	8 177	8 710	
21 180	Fossil Group Inc.	2 076	2 725	
108 100	Fox Factory Holding Corp.	1 883	2 038	
61 300	Grand Canyon Education Inc.	1 899	3 323	
43 520	Helen Of Troy Ltd.	2 313	3 290	
71 500	Home Depot Inc.	6 428	8 718	
127 949	Jarden Corp.	4 834	7 115	
49 900	Kona Grill Inc.	1 032	1 339	
107 800	Libbey Inc.	2 324	3 953	
49 700	Liberty Global Plc.	2 463	2 899	
144 380	LKQ Corp.	3 339	4 717	
251 540	Lowe's Companies	14 360	20 106	
165 965	Macy's Inc.	11 218	12 678	
44 600	Malibu Boats Inc.	955	999	
156 910	Newell Rubbermaid Inc.	4 823	6 941	
22 300	Nike Inc.	1 890	2 490	
47 890	Nordstrom Inc.	2 914	4 417	
25 420	O'Reilly Automotive Inc.	2 780	5 689	
12 830	Panera Bread Company	2 205	2 606	
71 190	Penske Auto Group Inc.	3 485	4 062	
86 300	Performance Sports Group Ltd.	1 582	1 808	
38 570	Ross Stores Inc.	2 627	4 224	
181 700	Smith & Wesson Holding Corp.	2 221	1 999	
18 300	SodaStream International Ltd.	829	428	
57 800	Starbucks Corp.	5 523	5 510	
49 426	Steven Madden Ltd.	1 312	1 828	
198 840	Target Corporation	14 641	17 536	
122 630	Taylor Morrison Home Corp.	2 559	2 691	
86 707	Tenneco Automotive Inc.	4 865	5 703	

Holdings	Security	Cost	Fair Value	% of Net Assets
Consumer Discretionary (cont.)				
2 700	The Priceline Group Inc.	\$ 3 616	\$ 3 578	
171 890	The Walt Disney Company	15 030	18 805	
96 300	TJX Companies Inc.	6 436	7 673	
63 270	Tractor Supply Co.	3 508	5 794	
114 600	Twenty-First Century Fox Inc.	4 911	5 113	
84 780	Under Armour Inc., Class A	3 105	6 686	
103 684	Universal Electronics Inc.	2 551	7 834	
165 580	V.F. Corporation	11 374	14 409	
39 320	Vera Bradley Inc.	897	931	
41 400	Viacom Inc.	3 703	3 619	
55 640	Vitamin Shoppe Inc.	2 942	3 140	
194 300	Zagg Inc.	1 697	1 533	
		229 824	291 162	13.0
Consumer Staples				
161 600	Altria Group Inc.	7 405	9 250	
91 000	Archer Daniels Midland Co.	4 619	5 498	
51 400	Church & Dwight Co. Inc.	3 243	4 706	
46 700	Costco Wholesale Corp.	6 306	7 691	
221 035	CVS Health Corp.	15 465	24 732	
39 530	Ingredion Inc.	2 408	3 896	
41 800	Kellogg Co.	3 150	3 177	
65 100	Kimberly-Clark Corp.	8 015	8 734	
194 875	Kraft Foods Group Inc.	12 833	14 187	
41 500	McCormick & Co. Inc.	2 766	3 582	
85 700	PepsiCo Inc.	7 973	9 415	
29 430	Pricesmart Inc.	2 518	3 119	
138 035	Procter & Gamble Co.	11 920	14 612	
170 900	The Coca-Cola Co.	8 334	8 383	
369 235	The Kroger Co.	21 468	27 545	
57 340	Treehouse Foods Inc.	3 604	5 701	
51 920	United Natural Foods Inc.	3 166	4 664	
62 000	Wal-Mart Stores, Inc.	5 859	6 187	
80 900	Walgreens Boots Alliance Inc.	7 060	7 162	
		138 112	172 241	7.7
Energy				
134 545	Anadarko Petroleum Corp.	13 086	12 896	
57 510	Chevron Corp.	7 093	7 495	
45 000	Concho Resources Inc.	5 327	5 215	
132 170	ConocoPhillips	11 191	10 605	
47 790	Continental Resources Inc.	2 199	2 130	
17 490	Core Laboratories N.V.	2 293	2 445	
61 300	EOG Resources Inc.	6 606	6 557	
206 660	Exxon Mobil Corp.	20 117	22 193	
48 450	FMC Technologies Inc.	2 374	2 638	
15 600	Geospace Technologies Corp.	1 017	481	
103 367	Gulfport Energy Corp.	5 435	5 013	
76 600	Halliburton Co.	3 612	3 498	
183 997	Helmerich & Payne	15 625	14 412	
47 400	Kinder Morgan Inc.	2 029	2 330	
268 690	Marathon Oil Corp.	10 204	8 831	

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
27 800	Marathon Petroleum Corp.	\$ 2 643	\$ 2 915	
48 430	Oceaneering International Inc.	2 917	3 309	
20 800	Pioneer Natural Resources Co.	3 554	3 597	
65 100	Range Resources Corp.	4 902	4 043	
181 600	Ring Energy Inc.	3 021	2 215	
119 100	RSP Permian Inc.	3 301	3 479	
72 100	Schlumberger Ltd.	8 108	7 154	
48 993	Tesoro Petroleum Corp.	3 858	4 232	
85 960	Valero Energy Corp.	3 781	4 943	
		<u>144 293</u>	<u>142 626</u>	6.4
Financials				
19 780	Affiliated Managers Group Inc.	3 719	4 875	
174 315	Allstate Corp.	8 511	14 227	
65 300	American Express Company	6 908	7 057	
57 750	American Financial Group Inc.	2 775	4 074	
145 975	American International Group Inc.	7 628	9 499	
15 600	American Tower Corp. Real Estate Investment Trust	1 607	1 792	
63 431	Amerisafe Inc.	1 781	3 122	
124 233	Amtrust Financial Services Inc.	6 011	8 119	
30 850	Arthur J. Gallagher & Co.	1 591	1 687	
12 500	Bancfirst Corp.	803	921	
549 655	Bank of America Corp.	11 099	11 424	
41 150	BlackRock Inc.	13 897	17 087	
90 000	Brown & Brown Inc.	2 651	3 441	
51 780	Capital One Financial Corp.	4 633	4 966	
32 000	Chemical Financial Corp.	882	1 139	
114 400	CIT Group Inc.	5 714	6 355	
299 245	Citigroup Inc.	16 121	18 817	
160 250	Columbia Property Trust Inc. Real Estate Investment Trust	4 503	4 720	
23 300	Community Bank System Inc.	654	1 032	
417 086	Compass Diversified Holdings	7 419	7 874	
149 525	E*TRADE Financial Corp.	3 553	4 214	
305 699	Fifth Third Bancorp	6 410	7 236	
41 980	First Republic Bank	2 126	2 542	
95 200	FXCM Inc., Class A	1 544	1 833	
240 500	Gramercy Property Trust Inc. Real Estate Investment Trust	1 523	1 928	
449 380	Hartford Financial Services Inc.	15 655	21 766	
151 860	HCC Insurance Holdings Inc.	6 057	9 445	
20 040	Health Care Real Estate Investment Trust Inc.	1 430	1 762	
584 958	Huntington Bancshares	5 341	7 149	
290 305	JPMorgan Chase & Co.	16 308	21 112	
583 345	KeyCorp	8 653	9 420	
146 090	Kilroy Realty Corp. Real Estate Investment Trust	10 064	11 729	
88 300	LaSalle Hotel Properties	2 714	4 152	
87 250	Lincoln National Corp.	4 717	5 846	
165 905	Marsh & McLennan Companies Inc.	8 560	11 033	
127 520	MetLife Inc.	6 923	8 014	
297 870	Morgan Stanley	10 709	13 433	
246 800	National General Holdings Corp.	4 493	5 336	
62 280	PRA Group Inc.	2 687	4 192	
45 020	ProAssurance Corp.	1 793	2 362	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
11 650	Public Storage Inc. Real Estate Investment Trust	\$ 2 318	\$ 2 503	
68 430	Raymond James Financial Corp.	2 917	4 555	
28 370	Reinsurance Group of America Inc.	1 912	2 888	
85 500	Safeguard Scientifics Inc.	1 688	1 969	
38 700	Signature Bank	3 292	5 663	
92 260	Simon Property Group Inc.	16 592	19 542	
87 450	Starwood Property Trust Inc.	2 353	2 361	
181 300	Sterling Bancorp	2 831	3 029	
193 830	Suntrust Banks Inc.	8 160	9 436	
38 210	T. Rowe Price Group Inc.	2 839	3 812	
57 400	UnumProvident Corp.	2 047	2 326	
454 245	Wells Fargo & Company	21 819	28 931	
47 100	XL Group Plc.	1 738	1 881	
		<u>300 673</u>	<u>375 628</u>	16.8
Health Care				
46 300	AbbVie Inc.	2 771	3 520	
27 700	Actavis Plc.	7 702	8 292	
139 540	Aetna Inc.	13 864	14 401	
47 500	Amgen Inc.	6 595	8 790	
12 200	Analogic Corp.	1 089	1 199	
40 000	Becton Dickinson & Co.	5 833	6 467	
65 900	Bio-Reference Laboratories Inc.	1 980	2 460	
23 500	Biogen Idec Inc.	9 120	9 275	
215 700	BioScrip Inc.	1 647	1 752	
118 900	Bristol-Myers Squibb Co.	6 799	8 152	
62 790	C.R. Bard Inc.	9 814	12 152	
54 600	Celgene Corp.	5 695	7 096	
60 250	Cerner Corp.	2 766	4 526	
157 780	Cigna Corp.	15 327	18 864	
17 940	Cooper Co. Inc.	2 521	3 378	
47 550	DaVita HealthCare Partners Inc.	3 698	4 184	
104 500	Eli Lilly & Co.	7 825	8 376	
37 200	Express Scripts Holding Co.	3 331	3 659	
128 500	Gilead Sciences Inc.	14 783	14 072	
25 200	Hanger Orthopedic Group Inc.	937	641	
39 270	Henry Schein Inc.	3 676	6 212	
41 400	Humana Inc.	6 774	6 908	
29 660	IDEXX Laboratories Inc.	3 122	5 109	
179 880	Johnson & Johnson	17 381	21 854	
26 680	Laboratory Corp. of America Holdings	2 586	3 345	
32 500	Masimo Corp.	835	995	
57 860	McKesson Corp.	9 466	13 957	
209 520	Medtronic Inc.	13 887	17 575	
13 860	Mettler-Toledo International Inc.	2 832	4 875	
101 133	Mylan Laboratories Inc.	5 495	6 623	
76 220	Parexel International Corp.	3 113	4 920	
24 670	Perrigo Company Plc.	3 069	4 789	
632 985	Pfizer Inc.	18 797	22 908	
7 700	Regeneron Pharmaceutical	3 016	3 670	
36 540	Sirona Dental Systems Inc.	2 404	3 709	
68 600	Stryker Corp.	6 522	7 515	
19 638	Teleflex Inc.	2 125	2 620	
49 400	U.S. Physical Therapy Inc.	1 477	2 408	
51 400	UnitedHealth Group Incorporated	5 127	6 037	

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Health Care (cont.)				
51 780	Universal Health Services Inc., Class B	\$ 5 177	\$ 6 691	
32 630	Varian Medical Systems Inc.	2 254	3 279	
35 700	Waters Corp.	3 469	4 673	
68 292	West Pharmaceutical Services Inc.	1 777	4 221	
		248 478	306 149	13.7
Industrials				
37 000	3M Co.	6 293	7 065	
264 010	ACCO Brands Corp.	2 193	2 764	
43 000	American Airlines Group Inc.	2 201	2 679	
72 187	Ametek Inc.	2 712	4 414	
66 169	Astronics Corp.	2 734	4 252	
76 024	AZZ Inc.	2 327	4 144	
47 500	Boeing Co.	6 947	7 171	
78 150	Carlisle Co. Inc.	7 151	8 195	
70 545	Caterpillar Inc.	7 961	7 499	
45 150	Clean Harbors Inc.	2 369	2 520	
127 265	Columbus McKinnon Corp.	2 285	4 146	
92 050	Copart Inc.	3 702	3 902	
205 195	Danaher Corp.	17 558	20 433	
54 330	Donaldson Co. Inc.	2 015	2 439	
62 600	Ducommun Inc.	1 546	1 840	
67 400	EnerSys	3 183	4 833	
55 610	FedEx Corporation	10 139	11 220	
50 280	Fluor Corp.	3 686	3 542	
92 155	General Dynamics Corp.	12 083	14 737	
314 480	General Electric Company	8 585	9 233	
69 800	GP Strategies Corp.	1 941	2 752	
13 200	Graham Corp.	431	441	
11 820	Grainger (W.W.) Inc.	2 750	3 500	
44 100	Hillenbrand Inc.	1 485	1 768	
162 150	Honeywell International Inc.	15 885	18 827	
21 840	IHS Inc., Class A	2 287	2 890	
65 800	Illinois Tool Works Inc.	6 556	7 239	
110 720	Ingersoll-Rand Plc., Class A	7 077	8 154	
71 136	Insteel Industries Inc.	1 017	1 949	
91 530	Interface Inc.	1 418	1 751	
41 500	J.B. Hunt Transport Services Inc.	2 686	4 062	
8 897	Kirby Corp.	888	835	
43 060	Landstar System Inc.	2 363	3 628	
37 800	Lockheed Martin Corporation	6 682	8 458	
28 870	Middleby Corp.	3 341	3 324	
78 690	Miller (Herman) Inc.	2 609	2 691	
21 800	Mistras Group Inc.	546	464	
116 940	MRC Global Inc.	3 004	2 058	
37 990	MSC Industrial Direct Co.	3 123	3 586	
28 747	Old Dominion Freight Line Inc.	1 134	2 593	
35 300	Paccar Inc.	2 835	2 790	
12 440	Parker Hannifin Corp.	1 656	1 863	
57 000	Patrick Industries Inc.	2 268	2 912	
50 560	Pentair Plc.	4 023	3 900	
176 081	Primoris Services Corp.	4 307	4 754	
28 650	Regal-Beloit Corp.	2 372	2 504	
24 690	Roper Industries Inc.	3 038	4 484	
140 961	Ryder System Inc.	11 878	15 206	
132 500	Southwest Airlines	4 659	6 512	

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials (cont.)				
34 017	Spirit Airlines Inc.	\$ 2 134	\$ 2 987	
44 920	Stanley Black & Decker Inc.	4 251	5 013	
31 630	Stericycle Inc.	3 275	4 817	
43 755	Sun Hydraulics Corp.	1 187	2 002	
197 950	Swift Transportation Co., Class A	4 720	6 581	
65 460	The Greenbrier Co. Inc.	1 890	4 089	
68 700	The KEYW Holding Corp.	1 265	828	
40 380	Triumph Group Inc.	2 979	3 154	
53 100	Union Pacific Corp.	5 433	7 349	
33 000	United Parcel Service Inc.	4 200	4 262	
34 188	United Rentals Inc.	3 482	4 055	
53 400	United Technologies Corp.	6 769	7 135	
17 240	Valmont Industries	2 506	2 545	
45 460	Verisk Analytics Inc.	2 501	3 383	
141 500	Waste Connections Inc.	6 600	7 232	
70 100	Woodward Inc.	3 956	4 009	
		269 077	322 364	14.4
Information Technology				
47 700	Accenture Plc., Class A	4 339	4 949	
57 200	Adobe Systems Inc.	4 789	4 831	
43 550	Ansys Inc.	3 329	4 149	
95 334	AOL Inc.	4 283	5 114	
442 070	Apple Inc.	39 600	56 691	
62 110	ARM Holdings Plc. ADR	2 343	3 343	
53 113	Arrow Electronics Inc.	2 967	3 574	
146 090	Aruba Networks Inc.	3 065	3 086	
156 675	Autodesk Inc.	8 889	10 932	
60 800	Automatic Data Processing Inc.	5 341	5 889	
108 390	Cisco Systems Inc.	2 587	3 503	
94 400	Cognizant Technology Solutions Corp., Class A	5 299	5 775	
42 400	Coherent Inc.	2 768	2 991	
229 200	Corning Inc.	5 481	6 106	
27 400	eBay Inc.	1 810	1 786	
267 920	EMC Corp.	8 741	9 262	
24 710	F5 Networks Inc.	2 571	3 745	
114 100	Facebook Inc., Class A	9 824	10 342	
25 480	Factset Research Systems Inc.	2 677	4 167	
49 600	Fidelity National Information Services Inc.	3 662	3 584	
78 600	Freescale Semiconductor Inc.	1 833	2 304	
5 800	Google Inc., Class A	3 937	3 576	
400 565	Hewlett-Packard Co.	15 275	18 683	
518 585	Intel Corp.	18 370	21 864	
56 800	Interactive Intelligence Group	2 344	3 161	
39 034	InterDigital Inc.	1 575	2 399	
25 800	InvenSense Inc.	573	487	
33 980	IPG Photonics Corp.	2 061	2 958	
70 600	MasterCard Inc.	6 050	7 069	
30 190	MercadoLibre Inc.	2 977	4 478	
184 200	Micron Technology Inc.	6 363	7 492	
730 505	Microsoft Corp.	30 447	39 422	
86 518	NIC Inc.	1 375	1 808	
176 679	NXP Semiconductor N.V.	10 781	15 682	
277 600	Oracle Corporation	12 665	14 504	
43 700	QUALCOMM Inc.	3 633	3 774	

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology (cont.)				
41 920	Red Hat Inc.	\$ 2 735	\$ 3 367	
269 659	RF Micro Devices Inc.	2 784	5 190	
37 000	Salesforce.com Inc.	2 544	2 549	
26 300	Seagate Technology	1 690	2 032	
149 149	Skyworks Solutions Inc.	5 608	12 599	
69 500	Synaptics Inc.	5 001	5 558	
109 700	Synchronoss Technologies Inc.	4 075	5 335	
81 590	SynOpsys Inc.	2 985	4 121	
106 100	Take-Two Interactive Software Inc.	1 874	3 455	
33 570	Teradata Corp.	2 145	1 704	
54 300	Tessco Technologies Inc.	1 169	1 829	
143 200	Texas Instruments Inc.	7 919	8 895	
123 230	Trimble Navigation Ltd.	3 493	3 800	
43 060	Tyler Technologies Inc.	2 028	5 475	
54 330	Verisign Inc.	2 722	3 598	
45 600	Visa Inc., Class A	10 632	13 891	
46 370	Western Digital Corp.	4 522	5 964	
38 080	WEX Inc.	3 095	4 376	
		<u>311 645</u>	<u>397 218</u>	<u>17.8</u>
Materials				
23 730	Airgas Inc.	2 237	3 175	
44 410	Aptargroup Inc.	2 616	3 449	
72 987	Ashland Inc.	8 904	10 155	
67 080	Avery Dennison Corp.	3 654	4 043	
30 250	Carpenter Technology	1 760	1 731	
71 738	Crown Holdings Inc.	3 039	4 242	
88 260	Cytec Industries Inc.	4 210	4 734	
35 500	Du Pont (E.I.) de Nemours and Company	2 671	3 049	
51 245	Eastman Chemical Company	4 785	4 515	
253 500	Ferro Corp.	3 625	3 817	
37 540	FMC Corp.	2 312	2 487	
90 700	FutureFuel Corp.	1 321	1 372	
68 800	Glatfelter (P.H.) Co.	1 897	2 044	
237 320	Huntsman Corp.	5 847	6 281	
49 910	Koppers Holdings Inc.	1 529	1 506	
37 900	Landec Corp.	550	608	
20 700	Monsanto Co.	2 787	2 872	
200 685	Omnova Solutions Inc.	1 506	1 903	
23 830	Packaging Corp. of America	1 718	2 161	
29 800	PPG Industries Inc.	6 281	8 001	
33 500	Reliance Steel & Aluminum Co.	2 547	2 385	
107 960	Rock-Tenn Company	7 482	7 649	
67 880	Universal Stainless & Alloy	2 037	1 983	
		<u>75 315</u>	<u>84 162</u>	<u>3.8</u>
Telecommunication Services				
115 655	T-Mobile US Inc.	4 025	3 620	
192 755	Verizon Communications Inc.	10 645	10 473	
		<u>14 670</u>	<u>14 093</u>	<u>0.6</u>

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
129 495	American Electric Power	\$ 7 077	\$ 9 135	
116 300	Calpine Corp.	2 795	2 990	
139 812	CMS Energy Corp.	4 101	5 645	
29 500	Dominion Resources Inc.	2 506	2 635	
160 015	DTE Energy Company	13 556	16 052	
94 860	Edison International	6 467	7 215	
204 770	Exelon Corp.	8 474	8 821	
44 100	NorthWestern Corp.	1 917	2 898	
54 700	Portland General Electric Co.	1 945	2 405	
55 560	Sempra Energy	5 291	7 187	
139 278	The Laclede Group Inc.	7 279	8 604	
		<u>61 408</u>	<u>73 587</u>	<u>3.3</u>
Other				
6 300	iShares Russell 2000 Fund	774	876	
		<u>774</u>	<u>876</u>	<u>-</u>
TOTAL UNITED STATES EQUITIES		<u>1 794 269</u>	<u>2 180 106</u>	<u>97.5</u>
SHORT-TERM INVESTMENTS*		<u>8 868</u>	<u>8 908</u>	<u>0.4</u>
TOTAL INVESTMENTS		<u>\$1 809 284</u>	<u>2 198 299</u>	<u>98.3</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>37 749</u>	<u>1.7</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$2 236 048</u>	<u>100.0</u>

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.08% to 0.22% and mature between January 2, 2015 and February 26, 2015.

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 2 198 299	\$ 1 478 159	\$ 1 049 990
Cash	36 574	21 508	22 207
Due from investment dealers	22 398	9 748	1 107
Subscriptions receivable	111	280	182
Dividends receivable, interest accrued and other assets	2 205	1 209	762
TOTAL ASSETS	2 259 587	1 510 904	1 074 248
LIABILITIES			
Due to investment dealers	22 817	10 432	11 001
Redemptions payable	586	58	306
Unrealized loss on foreign exchange contracts	—	1	—
Accounts payable and accrued expenses	136	89	58
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	23 539	10 580	11 365
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 236 048	\$ 1 500 324	\$ 1 062 883
Investments at cost	\$ 1 809 284	\$ 1 174 949	\$ 971 891
NAV			
SERIES C	\$ 2 271	\$ 1 878	\$ 638
ADVISOR SERIES	\$ 961	\$ 782	\$ 464
SERIES D	\$ 20 754	\$ 14 892	\$ 7 812
SERIES F	\$ 421	\$ 940	\$ 121
SERIES O	\$ 2 211 641	\$ 1 481 832	\$ 1 053 848
NAV PER UNIT			
SERIES C	\$ 14.95	\$ 14.16	\$ 11.36
ADVISOR SERIES	\$ 14.96	\$ 14.16	\$ 11.36
SERIES D	\$ 15.48	\$ 14.49	\$ 11.56
SERIES F	\$ 15.45	\$ 14.47	\$ 11.56
SERIES O	\$ 15.16	\$ 14.22	\$ 11.35

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Statements of Comprehensive Income
(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 31 117	\$ 22 334
Interest for distribution purposes	18	24
Other income (loss)	–	9
Securities lending revenue (see note 6 in the generic notes)	297	78
Net realized gain (loss) on investments	263 775	188 866
Net gain (loss) on foreign currencies and other net assets	4 758	2 244
Change in unrealized gain (loss) on investments	85 806	225 110
TOTAL INCOME (LOSS)	385 771	438 665
EXPENSES (see notes – Fund Specific Information)		
Management fees	233	152
Administration fees	916	645
Board of Governors costs	3	3
GST/HST	109	80
Transaction costs	3 104	2 304
Withholding tax	4 157	2 989
TOTAL EXPENSES	8 522	6 173
INCREASE (DECREASE) IN NAV	\$ 377 249	\$ 432 492
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 354	\$ 397
ADVISOR SERIES	\$ 150	\$ 216
SERIES D	\$ 3 341	\$ 3 621
SERIES F	\$ 115	\$ 174
SERIES O	\$ 373 289	\$ 428 084
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 2.90	\$ 4.30
ADVISOR SERIES	\$ 2.90	\$ 4.30
SERIES D	\$ 3.12	\$ 4.53
SERIES F	\$ 3.21	\$ 4.56
SERIES O	\$ 3.22	\$ 4.62

Statements of Cash Flow (in \$000s)

 For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 377 249	\$ 432 492
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(263 775)	(188 866)
Change in unrealized loss (gain) on investments	(85 806)	(225 110)
(Increase) decrease in accrued receivables	(13 646)	(9 088)
Increase (decrease) in accrued payables	12 432	(538)
Cost of investments purchased	(4 523 675)	(2 346 604)
Proceeds on sales of investments	4 153 115	2 332 412
NET CASH PROVIDED BY OPERATING ACTIVITIES	(344 106)	(5 302)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	498 694	275 065
Cash paid on redemption of redeemable units	(139 390)	(270 253)
Distributions paid to holders of redeemable units	(132)	(209)
NET CASH USED IN FINANCING ACTIVITIES	\$ 359 172	\$ 4 603
Net increase (decrease) in cash for the year	15 066	(699)
Cash (bank overdraft), beginning of period	21 508	22 207
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 36 574	\$ 21 508
Interest received	\$ 18	\$ 25
Dividends received, net of withholding taxes	\$ 25 965	\$ 18 905

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 878	\$ 638	\$ 782	\$ 464	\$ 14 892	\$ 7 812	\$ 940	\$ 121
INCREASE (DECREASE) IN NAV	354	397	150	216	3 341	3 621	115	174
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	1 102	981	166	348	6 385	6 306	189	850
Reinvestments of distributions to holders of redeemable units	245	157	92	59	2 264	1 367	24	6
Redemption of redeemable units	(1 041)	(121)	(121)	(232)	(3 830)	(2 816)	(796)	(109)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	306	1 017	137	175	4 819	4 857	(583)	747
Distributions from net income	–	–	–	–	(12)	(39)	(1)	(5)
Distributions from net gains	(267)	(174)	(108)	(73)	(2 286)	(1 359)	(50)	(97)
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(267)	(174)	(108)	(73)	(2 298)	(1 398)	(51)	(102)
NET INCREASE (DECREASE) IN NAV	393	1 240	179	318	5 862	7 080	(519)	819
NAV AT END OF PERIOD	\$ 2 271	\$ 1 878	\$ 961	\$ 782	\$ 20 754	\$ 14 892	\$ 421	\$ 940

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 481 832	\$ 1 053 848	\$ 1 500 324	\$ 1 062 883
INCREASE (DECREASE) IN NAV	373 289	428 084	377 249	432 492
Early redemption fees	–	–	–	–
Proceeds from redeemable units issued	490 683	266 678	498 525	275 163
Reinvestments of distributions to holders of redeemable units	275 408	154 933	278 033	156 522
Redemption of redeemable units	(134 130)	(266 727)	(139 918)	(270 005)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	631 961	154 884	636 640	161 680
Distributions from net income	(24 982)	(19 559)	(24 995)	(19 603)
Distributions from net gains	(250 459)	(135 425)	(253 170)	(137 128)
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(275 441)	(154 984)	(278 165)	(156 731)
NET INCREASE (DECREASE) IN NAV	729 809	427 984	735 724	437 441
NAV AT END OF PERIOD	\$ 2 211 641	\$ 1 481 832	\$ 2 236 048	\$ 1 500 324

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

December 31, 2014

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 shares of high-quality U.S. companies.

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

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Information Technology	18.0	19.1	17.9
Financials	16.8	15.8	15.4
Industrials	14.4	14.0	13.5
Health Care	13.9	12.1	10.3
Consumer Discretionary	13.0	12.2	12.2
Consumer Staples	7.7	6.1	7.6
Energy	6.4	10.1	9.3
Materials	3.8	5.2	5.9
Utilities	3.3	2.6	2.8
Telecommunication Services	0.6	0.8	1.9
Cash/Other	2.1	2.0	3.2

Currency risk (% of net assets)

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

	December 31 2014	December 31 2013	January 1 2013
Currency			
United States dollar	99.9	99.8	99.6
Total	99.9	99.8	99.6

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

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

	December 31 2014	December 31 2013	January 1 2013
Russell 3000 Total Return Index (CAD)	+ or - 1.0	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	2 189 391	–	–	2 189 391
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	8 908	–	8 908
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 189 391	8 908	–	2 198 299
% of total portfolio	99.6	0.4	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 471 075	–	–	1 471 075
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	7 084	–	7 084
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(1)	–	(1)
Total financial instruments	1 471 075	7 083	–	1 478 158
% of total portfolio	99.5	0.5	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 032 620	–	–	1 032 620
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 370	–	17 370
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 032 620	17 370	–	1 049 990
% of total portfolio	98.3	1.7	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
 ALL-CAP EQUITY FUND**

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	119	106
Advisor Series	126	111
Series D	119	106
Series F	120	107
Series O	127	111
Value of all units	9	8

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

The Fund had no capital or non-capital losses as at December 31, 2014.

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

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	133	56
Issued number of units	72	75
Reinvested number of units	16	11
Redeemed number of units	(69)	(9)
Ending number of units	152	133
Advisor Series		
Opening units	55	41
Issued number of units	11	27
Reinvested number of units	6	4
Redeemed number of units	(8)	(17)
Ending number of units	64	55
Series D		
Opening units	1 027	676
Issued number of units	417	459
Reinvested number of units	146	96
Redeemed number of units	(249)	(204)
Ending number of units	1 341	1 027
Series F		
Opening units	65	10
Issued number of units	11	63
Reinvested number of units	2	–
Redeemed number of units	(51)	(8)
Ending number of units	27	65
Series O		
Opening units	104 192	92 832
Issued number of units	32 530	19 720
Reinvested number of units	18 144	11 045
Redeemed number of units	(8 966)	(19 405)
Ending number of units	145 900	104 192

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	3 104	100	2 304	100
Related-party brokerage commissions*	95	3	62	3
Commission arrangements [†]	1 137	37	775	34

* See note 7 in the generic notes.

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

December 31, 2014

**Securities lending revenue (\$000s) (see note 6 in
the generic notes)**

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

	December 31 2014	December 31 2013
Fair value of securities loaned	105 830	84 935
Fair value of collateral received	107 947	89 181

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014	December 31 2013
RBC Select Very Conservative Portfolio	8.5	6.3
RBC Select Very Conservative Class	–	0.1
RBC Select Conservative Portfolio	28.9	26.5
RBC Select Conservative Class	–	0.1
RBC Select Balanced Portfolio	35.3	36.5
RBC Select Balanced Class	–	0.1
RBC Select Growth Portfolio	14.8	16.5
RBC Select Growth Class	–	–
RBC Select Aggressive Growth Portfolio	4.0	3.9
RBC Select Aggressive Growth Class	–	–
RBC Select Choices Conservative Portfolio	0.4	0.5
RBC Select Choices Balanced Portfolio	0.6	0.8
RBC Select Choices Growth Portfolio	1.1	1.5
RBC Select Choices Aggressive Growth Portfolio	0.7	0.9
RBC Target 2015 Education Fund	–	0.2
RBC Target 2020 Education Fund	0.7	0.9
RBC Target 2025 Education Fund	1.2	1.3
RBC Target 2030 Education Fund	0.2	0.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Class	1.3	1.3
Phillips, Hager & North LifeTime 2015 Fund	–	–
Phillips, Hager & North LifeTime 2020 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2025 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2030 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2035 Fund	0.2	0.1
Phillips, Hager & North LifeTime 2040 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2045 Fund	0.3	0.3
Phillips, Hager & North LifeTime 2050 Fund	–	–
Total	98.6	98.3

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	1 500 033	1 061 853
Revaluation of investments at FVTPL	291	1 030
Net assets attributable to holders of redeemable units	1 500 324	1 062 883
	December 31 2013	
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		433 231
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(739)
Increase (decrease) in net assets attributable to holders of redeemable units		432 492

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH U.S. EQUITY FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
34 369	Advance Auto Parts Inc.	\$ 5 300	\$ 6 362	
78 029	Bed Bath & Beyond Inc.	5 664	6 905	
84 769	DIRECTV, LLC	6 946	8 539	
289 293	General Motors Co.	8 881	11 733	
174 396	Johnson Controls Inc.	5 169	9 791	
60 440	Ross Stores Inc.	5 437	6 619	
192 547	Starz - Liberty Capital	5 338	6 644	
		42 735	56 593	9.6
Consumer Staples				
136 112	PepsiCo Inc.	9 093	14 953	
744 028	Rite Aid Corp.	5 069	6 500	
160 627	Wal-Mart Stores, Inc.	9 420	16 029	
40 531	Walgreens Boots Alliance Inc.	1 865	3 588	
		25 447	41 070	7.0
Energy				
128 103	Alliance Resource Partners, L.P.	6 487	6 407	
189 748	Apache Corp.	17 283	13 816	
71 645	ConocoPhillips	6 214	5 747	
210 335	Continental Resources Inc.	14 432	9 373	
79 145	Halliburton Co.	4 226	3 615	
33 697	National Oilwell Varco Inc.	2 572	2 565	
180 724	Noble Corporation plc	5 708	3 479	
251 363	Paragon Offshore Plc.	1 684	809	
		58 606	45 811	7.8
Financials				
167 389	Aflac Inc.	8 695	11 880	
191 470	AllianceBernstein Holding LP	3 462	5 740	
149 248	American International Group Inc.	7 115	9 712	
824 392	Bank of America Corp.	11 008	17 135	
106 180	Bank of the Ozarks Inc.	4 345	4 678	
76 515	Berkshire Hathaway Inc., Class B	5 906	13 348	
87 639	First Republic Bank	3 755	5 307	
256 730	JPMorgan Chase & Co.	10 085	18 670	
159 135	MetLife Inc.	8 275	10 000	
113 889	Oaktree Capital Group LLC, Class A	6 447	6 858	
373 178	Wells Fargo & Company	12 504	23 768	
		81 597	127 096	21.7
Health Care				
40 622	Anthem Inc.	2 606	5 933	
85 749	Becton Dickinson & Co.	6 987	13 864	
10 954	Biogen Idec Inc.	4 195	4 323	
50 767	Celgene Corp.	4 060	6 598	
115 258	Gilead Sciences Inc.	11 406	12 622	
190 870	Johnson & Johnson	13 194	23 189	
130 251	Medtronic Inc.	5 045	10 926	
84 592	Varian Medical Systems Inc.	5 790	8 500	
		53 283	85 955	14.6

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
144 397	American Airlines Group Inc.	\$ 5 341	\$ 8 997	
186 025	Delta Air Lines Inc.	4 396	10 628	
212 339	Emerson Electric Co.	10 595	15 225	
122 403	Generac Holdings Inc.	5 297	6 650	
108 825	Raytheon Company	8 894	13 678	
151 662	United Technologies Corp.	12 884	20 263	
		47 407	75 441	12.9
Information Technology				
200 418	Apple Inc.	15 362	25 702	
322 949	Cisco Systems Inc.	7 005	10 436	
13 337	Google Inc., Class A	7 531	8 223	
13 431	Google Inc., Class C	211	8 214	
220 798	Hewlett-Packard Co.	5 918	10 298	
251 668	Microsoft Corp.	6 798	13 581	
379 409	Oracle Corporation	12 721	19 823	
119 521	QUALCOMM Inc.	6 405	10 321	
		61 951	106 598	18.2
Materials				
73 783	Du Pont (E.I.) de Nemours and Company	5 154	6 336	
67 198	United States Steel Corp.	2 802	2 088	
		7 956	8 424	1.4
Telecommunication Services				
197 590	Verizon Communications Inc.	10 647	10 735	
		10 647	10 735	1.8
Utilities				
45 627	Entergy Corp.	4 327	4 635	
239 905	Public Service Enterprise Group	10 636	11 535	
		14 963	16 170	2.8
TOTAL UNITED STATES EQUITIES		404 592	573 893	97.8
SHORT-TERM INVESTMENTS*		12 567	12 697	2.2
TOTAL INVESTMENTS		\$ 417 159	586 590	100.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 586 877	100.0	

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.08% to 1.00% and mature between January 2, 2015 and January 9, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 586 590	\$ 834 525	\$ 900 092
Cash	5	4	26
Due from investment dealers	–	–	25 886
Subscriptions receivable	245	468	1 464
Dividends receivable, interest accrued and other assets	303	500	327
TOTAL ASSETS	587 143	835 497	927 795
LIABILITIES			
Due to investment dealers	–	–	26 653
Redemptions payable	96	494	1 239
Accounts payable and accrued expenses	170	152	190
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	266	646	28 082
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 586 877	\$ 834 851	\$ 899 713
Investments at cost	\$ 417 159	\$ 618 939	\$ 842 683
NAV			
SERIES C	\$ 4 259	\$ 3 501	\$ 2 915
ADVISOR SERIES	\$ 1 815	\$ 1 504	\$ 1 005
SERIES D	\$ 139 838	\$ 130 937	\$ 162 958
SERIES F	\$ 2 293	\$ 1 844	\$ 1 412
SERIES O	\$ 438 672	\$ 697 065	\$ 731 423
NAV PER UNIT			
SERIES C	\$ 51.52	\$ 43.64	\$ 31.77
ADVISOR SERIES	\$ 51.52	\$ 43.64	\$ 31.77
SERIES D	\$ 51.27	\$ 43.42	\$ 31.60
SERIES F	\$ 51.51	\$ 43.62	\$ 31.73
SERIES O	\$ 52.07	\$ 44.10	\$ 32.08

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 16 383	\$ 17 828
Interest for distribution purposes	25	38
Net realized gain (loss) on investments	174 196	131 530
Net gain (loss) on foreign currencies and other net assets	347	939
Change in unrealized gain (loss) on investments	(46 155)	158 177
TOTAL INCOME (LOSS)	144 796	308 512
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 459	1 462
Administration fees	275	294
Board of Governors costs	3	3
GST/HST	137	150
Transaction costs	537	823
Withholding tax	2 669	2 877
TOTAL EXPENSES	5 080	5 609
INCREASE (DECREASE) IN NAV	\$ 139 716	\$ 302 903
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 646	\$ 1 017
ADVISOR SERIES	\$ 285	\$ 416
SERIES D	\$ 23 988	\$ 45 302
SERIES F	\$ 344	\$ 545
SERIES O	\$ 114 453	\$ 255 623
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 7.87	\$ 11.94
ADVISOR SERIES	\$ 7.87	\$ 11.84
SERIES D	\$ 8.20	\$ 12.03
SERIES F	\$ 8.33	\$ 12.43
SERIES O	\$ 8.52	\$ 12.73

Statements of Cash Flow *(in \$000s)*For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 139 716	\$ 302 903
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(173 990)	(131 402)
Change in unrealized loss (gain) on investments	46 155	(158 177)
(Increase) decrease in accrued receivables	197	25 713
Increase (decrease) in accrued payables	18	(26 691)
Cost of investments purchased	(844 852)	(888 449)
Proceeds on sales of investments	1 220 622	1 243 595
NET CASH PROVIDED BY OPERATING ACTIVITIES	387 866	367 492
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	119 965	210 219
Cash paid on redemption of redeemable units	(505 594)	(576 532)
Distributions paid to holders of redeemable units	(2 236)	(1 201)
NET CASH USED IN FINANCING ACTIVITIES	\$ (387 865)	\$ (367 514)
Net increase (decrease) in cash for the year	1	(22)
Cash (bank overdraft), beginning of period	4	26
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 5	\$ 4
Interest received	\$ 42	\$ 39
Dividends received, net of withholding taxes	\$ 13 911	\$ 14 776

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 501	\$ 2 915	\$ 1 504	\$ 1 005	\$ 130 937	\$ 162 958	\$ 1 844	\$ 1 412
INCREASE (DECREASE) IN NAV	646	1 017	285	416	23 988	45 302	344	545
Early redemption fees	–	–	–	–	1	–	–	–
Proceeds from redeemable units issued	1 400	953	214	498	15 124	16 457	820	634
Reinvestments of distributions to holders of redeemable units	15	–	6	–	1 620	1 013	20	12
Redemption of redeemable units	(1 288)	(1 384)	(187)	(415)	(30 130)	(93 729)	(703)	(740)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	127	(431)	33	83	(13 385)	(76 259)	137	(94)
Distributions from net income	(15)	–	(7)	–	(1 702)	(1 064)	(32)	(19)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(15)	–	(7)	–	(1 702)	(1 064)	(32)	(19)
NET INCREASE (DECREASE) IN NAV	758	586	311	499	8 901	(32 021)	449	432
NAV AT END OF PERIOD	\$ 4 259	\$ 3 501	\$ 1 815	\$ 1 504	\$ 139 838	\$ 130 937	\$ 2 293	\$ 1 844

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 697 065	\$ 731 423	\$ 834 851	\$ 899 713
INCREASE (DECREASE) IN NAV	114 453	255 623	139 716	302 903
Early redemption fees	–	–	1	–
Proceeds from redeemable units issued	102 184	190 681	119 742	209 223
Reinvestments of distributions to holders of redeemable units	8 184	12 119	9 845	13 144
Redemption of redeemable units	(472 889)	(479 519)	(505 197)	(575 787)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(362 521)	(276 719)	(375 609)	(353 420)
Distributions from net income	(10 325)	(13 262)	(12 081)	(14 345)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(10 325)	(13 262)	(12 081)	(14 345)
NET INCREASE (DECREASE) IN NAV	(258 393)	(34 358)	(247 974)	(64 862)
NAV AT END OF PERIOD	\$ 438 672	\$ 697 065	\$ 586 877	\$ 834 851

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

December 31, 2014

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 primarily in shares of large-capitalization, high-quality U.S. companies.

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

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	21.7	22.3	19.8
Information Technology	18.2	19.1	16.5
Health Care	14.6	15.1	19.0
Industrials	12.9	13.7	8.3
Consumer Discretionary	9.6	6.9	6.5
Energy	7.8	9.0	11.5
Consumer Staples	7.0	9.5	10.5
Utilities	2.8	–	1.3
Telecommunication Services	1.8	1.2	1.6
Materials	1.4	1.7	2.8
Cash/Other	2.2	1.5	2.2

Currency risk (% of net assets)

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

	December 31 2014	December 31 2013	January 1 2013
Currency			
United States dollar	100.0	99.9	100.1
Total	100.0	99.9	100.1

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

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

	December 31 2014	December 31 2013	January 1 2013
S&P 500 Total Return			
Index (CAD)	+ or - 0.9	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	573 893	–	–	573 893
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	12 697	–	12 697
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	573 893	12 697	–	586 590
% of total portfolio	97.8	2.2	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	822 808	–	–	822 808
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 717	–	11 717
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	822 808	11 717	–	834 525
% of total portfolio	98.6	1.4	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	878 944	–	–	878 944
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	21 148	–	21 148
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	878 944	21 148	–	900 092
% of total portfolio	97.7	2.3	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	19	19
Advisor Series	36	36
Series D	19	19
Series F	19	19
Value of all units	5	4

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	498 791
Non-capital losses	–

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

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	80	92
Issued number of units	30	25
Reinvested number of units	–	–
Redeemed number of units	(27)	(37)
Ending number of units	83	80
Advisor Series		
Opening units	34	32
Issued number of units	5	13
Reinvested number of units	–	–
Redeemed number of units	(4)	(11)
Ending number of units	35	34
Series D		
Opening units	3 015	5 157
Issued number of units	323	440
Reinvested number of units	32	24
Redeemed number of units	(643)	(2 606)
Ending number of units	2 727	3 015
Series F		
Opening units	42	44
Issued number of units	18	18
Reinvested number of units	–	–
Redeemed number of units	(15)	(20)
Ending number of units	45	42
Series O		
Opening units	15 806	22 798
Issued number of units	2 188	5 375
Reinvested number of units	157	278
Redeemed number of units	(9 726)	(12 645)
Ending number of units	8 425	15 806

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	537	100	823	100
Related-party brokerage commissions*	7	1	173	21
Commission arrangements [†]	129	24	190	23

* See note 7 in the generic notes.

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

December 31, 2014

Investments by other related investment funds (%)
(see note 7 in the generic notes)

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

	December 31 2014	December 31 2013
Phillips, Hager & North Balanced Fund	–	10.9
Phillips, Hager & North Balanced Pension Trust	–	10.5
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	7.5	11.2
Phillips, Hager & North Global Equity Fund	–	5.9
Total	7.5	38.5

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	834 739	899 469
Revaluation of investments at FVTPL	112	244
Net assets attributable to holders of redeemable units	834 851	899 713

	December 31 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	303 035
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)	(132)
Increase (decrease) in net assets attributable to holders of redeemable units	302 903

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

December 31, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
845 070	Phillips, Hager & North U.S. Equity Fund*	\$ 27 609	\$ 44 001	101.7
TOTAL INVESTMENTS		27 609	44 001	101.7
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	(760)	(1.8)
TOTAL PORTFOLIO		\$ 27 609	43 241	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			52	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		\$ 43 293		100.0

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

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Loss
Bought CAD 563 Sold USD 500 @ 1.1260	26-Jan-15	\$ (18)
Bought CAD 9 775 Sold USD 8 695 @ 1.1243	26-Jan-15	(332)
Bought USD 35 Sold CAD 41 @ 1.1647	26-Jan-15	–
Bought USD 400 Sold CAD 467 @ 1.1673	26-Jan-15	(2)
Bought CAD 12 972 Sold USD 11 337 @ 1.1442	13-Feb-15	(212)
Bought CAD 6 546 Sold USD 5 723 @ 1.1438	13-Feb-15	(109)
Bought CAD 13 188 Sold USD 11 409 @ 1.1559	11-Mar-15	(87)
TOTAL FOREIGN EXCHANGE		\$ (760)

All counterparties have a credit rating of at least A.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 44 001	\$ 93 670	\$ 102 795
Cash	38	27	9
Due from investment dealers	–	27	43
Subscriptions receivable	35	–	3
Unrealized gain on foreign exchange contracts	–	1	243
TOTAL ASSETS	44 074	93 725	103 094
LIABILITIES			
Redemptions payable	5	28	21
Unrealized loss on foreign exchange contracts	760	1 213	598
Accounts payable and accrued expenses	16	22	36
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	781	1 263	655
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 43 293	\$ 92 462	\$ 102 439
Investments at cost	\$ 27 609	\$ 65 088	\$ 91 037
NAV			
SERIES C	\$ 1 677	\$ 1 759	\$ 1 436
ADVISOR SERIES	\$ 639	\$ 668	\$ 206
SERIES D	\$ 7 896	\$ 10 308	\$ 23 313
SERIES F	\$ 776	\$ 926	\$ 1 229
SERIES O	\$ 32 305	\$ 78 801	\$ 76 255
NAV PER UNIT			
SERIES C	\$ 10.50	\$ 9.66	\$ 7.47
ADVISOR SERIES	\$ 10.50	\$ 9.66	\$ 7.47
SERIES D	\$ 10.44	\$ 9.60	\$ 7.41
SERIES F	\$ 10.53	\$ 9.68	\$ 7.47
SERIES O	\$ 10.55	\$ 9.70	\$ 7.48

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Other income received from underlying funds	\$ 1 032	\$ 1 787
Net realized gain (loss) on investments	23 136	29 528
Net gain (loss) on foreign currencies and other net assets	(5 431)	(8 485)
Change in unrealized gain (loss) on investments	(11 738)	15 967
TOTAL INCOME (LOSS)	6 999	38 797
EXPENSES (see notes – Fund Specific Information)		
Management fees	129	193
Administration fees	66	147
Board of Governors costs	3	3
GST/HST	16	31
TOTAL EXPENSES	214	374
INCREASE (DECREASE) IN NAV	\$ 6 785	\$ 38 423
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 146	\$ 414
ADVISOR SERIES	\$ 55	\$ 123
SERIES D	\$ 749	\$ 4 059
SERIES F	\$ 78	\$ 303
SERIES O	\$ 5 757	\$ 33 524
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.94	\$ 2.30
ADVISOR SERIES	\$ 0.94	\$ 2.39
SERIES D	\$ 1.01	\$ 2.13
SERIES F	\$ 1.04	\$ 2.28
SERIES O	\$ 1.02	\$ 2.22

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 6 785	\$ 38 423
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(23 136)	(29 528)
Change in unrealized loss (gain) on investments	11 738	(15 967)
(Increase) decrease in accrued receivables	27	17
Increase (decrease) in accrued payables	(6)	(14)
Cost of investments purchased	(7 554)	(72 998)
Proceeds on sales of investments	68 169	128 475
NET CASH PROVIDED BY OPERATING ACTIVITIES	56 023	48 408
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	6 159	87 138
Cash paid on redemption of redeemable units	(61 755)	(135 234)
Distributions paid to holders of redeemable units	(416)	(294)
NET CASH USED IN FINANCING ACTIVITIES	\$ (56 012)	\$ (48 390)
Net increase (decrease) in cash for the year	11	18
Cash (bank overdraft), beginning of period	27	9
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 38	\$ 27
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 759	\$ 1 436	\$ 668	\$ 206	\$ 10 308	\$ 23 313	\$ 926	\$ 1 229
INCREASE (DECREASE) IN NAV	146	414	55	123	749	4 059	78	303
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	35	109	36	378	698	1 706	130	85
Reinvestments of distributions to holders of redeemable units	5	—	1	—	82	62	8	4
Redemption of redeemable units	(263)	(200)	(119)	(39)	(3 851)	(18 765)	(355)	(687)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(223)	(91)	(82)	339	(3 071)	(16 997)	(217)	(598)
Distributions from net income	(5)	—	(2)	—	(90)	(67)	(11)	(8)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(5)	—	(2)	—	(90)	(67)	(11)	(8)
NET INCREASE (DECREASE) IN NAV	(82)	323	(29)	462	(2 412)	(13 005)	(150)	(303)
NAV AT END OF PERIOD	\$ 1 677	\$ 1 759	\$ 639	\$ 668	\$ 7 896	\$ 10 308	\$ 776	\$ 926

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 78 801	\$ 76 255	\$ 92 462	\$ 102 439
INCREASE (DECREASE) IN NAV	5 757	33 524	6 785	38 423
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	5 295	84 857	6 194	87 135
Reinvestments of distributions to holders of redeemable units	301	1 040	397	1 106
Redemption of redeemable units	(57 144)	(115 550)	(61 732)	(135 241)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(51 548)	(29 653)	(55 141)	(47 000)
Distributions from net income	(705)	(1 325)	(813)	(1 400)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(705)	(1 325)	(813)	(1 400)
NET INCREASE (DECREASE) IN NAV	(46 496)	2 546	(49 169)	(9 977)
NAV AT END OF PERIOD	\$ 32 305	\$ 78 801	\$ 43 293	\$ 92 462

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with significant long-term capital growth primarily through exposure to a well-diversified portfolio of large-capitalization, high-quality U.S. companies, while minimizing currency risk.

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

The Fund invests in the Phillips, Hager & North U.S. Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

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

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Financials	22.4	23.0	20.3
Information Technology	18.9	19.7	17.0
Health Care	15.2	15.5	19.5
Industrials	13.4	14.0	8.5
Consumer Discretionary	10.0	7.1	6.6
Energy	8.1	9.3	11.8
Consumer Staples	7.3	9.7	10.8
Utilities	2.9	–	1.3
Telecommunication Services	1.9	1.3	1.6
Materials	1.5	1.7	2.9
Cash/Other	(1.6)	(1.3)	(0.3)

Currency risk (% of net assets)

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

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
S&P 500 Total Return Index (hedged to CAD)	+ or - 0.9	+ or - 1.1	+ or - 1.1

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

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	44 001	–	–	44 001
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(760)	–	(760)
Total financial instruments	44 001	(760)	–	43 241
% of total portfolio	101.8	(1.8)	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	93 670	–	–	93 670
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(1 213)	–	(1 213)
Total financial instruments	93 670	(1 212)	–	92 458
% of total portfolio	101.3	(1.3)	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	102 795	–	–	102 795
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	243	–	243
Derivatives – liabilities	–	(598)	–	(598)
Total financial instruments	102 795	(355)	–	102 440
% of total portfolio	100.3	(0.3)	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

Investment Management®

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	81	81
Advisor Series	157	156
Series D	115	167
Series F	85	84
Series O	88	86
Value of all units	6	6

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

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
U.S. Equity Fund	101.7	7.5	101.3	11.2
			January 1, 2013	
			NAV	Ownership
Phillips, Hager & North				
U.S. Equity Fund			100.3	11.4

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	182	192
Issued number of units	3	13
Reinvested number of units	1	–
Redeemed number of units	(26)	(23)
Ending number of units	160	182
Advisor Series		
Opening units	69	28
Issued number of units	4	45
Reinvested number of units	–	–
Redeemed number of units	(12)	(4)
Ending number of units	61	69
Series D		
Opening units	1 074	3 148
Issued number of units	68	204
Reinvested number of units	8	7
Redeemed number of units	(394)	(2 285)
Ending number of units	756	1 074

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

December 31, 2014

 For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	96	165
Issued number of units	12	10
Reinvested number of units	1	–
Redeemed number of units	(35)	(79)
Ending number of units	74	96
Series O		
Opening units	8 124	10 190
Issued number of units	524	10 860
Reinvested number of units	28	109
Redeemed number of units	(5 614)	(13 035)
Ending number of units	3 062	8 124

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014	December 31 2013
Phillips, Hager & North PRisM Balanced Fund	–	25.6
Phillips, Hager & North Enhanced Long Government Bond Fund	–	1.0
Total	–	26.6

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	92 462	102 439
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	92 462	102 439

	December 31 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	38 423
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)	–
Increase (decrease) in net assets attributable to holders of redeemable units	38 423

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH U.S. GROWTH FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
15 018	Advance Auto Parts Inc.	\$ 2 208	\$ 2 780	
16 480	Bed Bath & Beyond Inc.	1 181	1 458	
134 360	Carrols Restaurant Group Inc.	919	1 191	
13 029	Panera Bread Company	2 410	2 646	
19 669	Ross Stores Inc.	1 728	2 154	
29 396	Starz - Liberty Capital	856	1 014	
		9 302	11 243	9.2
Consumer Staples				
37 618	PepsiCo Inc.	2 397	4 133	
6 215	Pricesmart Inc.	659	659	
17 028	Wal-Mart Stores, Inc.	938	1 699	
		3 994	6 491	5.3
Energy				
28 342	Apache Corp.	2 458	2 064	
9 139	Cimarex Energy Co.	1 254	1 124	
47 818	Continental Resources Inc.	3 341	2 130	
39 649	FMC Technologies Inc.	1 820	2 158	
24 032	Geospace Technologies Corp.	1 563	740	
25 338	Schlumberger Ltd.	2 562	2 514	
		12 998	10 730	8.8
Financials				
8 844	Aflac Inc.	455	628	
48 027	Bank of the Ozarks Inc.	1 733	2 116	
39 381	Federated National Holding Co.	993	1 105	
28 713	First NBC Bank Holding Co.	1 211	1 174	
43 120	First Republic Bank	1 981	2 611	
35 028	McGraw Hill Financial Inc.	1 304	3 620	
12 139	Oaktree Capital Group LLC, Class A	707	731	
29 365	Piper Jaffray Cos	1 867	1 982	
83 976	United Insurance Holdings Corp.	1 306	2 142	
88 114	Wells Fargo & Company	2 780	5 612	
		14 337	21 721	17.8
Health Care				
31 605	Becton Dickinson & Co.	2 387	5 110	
3 221	Biogen Idec Inc.	1 223	1 271	
11 619	Celgene Corp.	974	1 510	
14 638	Centene Corp.	1 224	1 766	
15 683	Computer Programs & Systems Inc.	1 188	1 107	
40 423	Gilead Sciences Inc.	3 614	4 427	
40 557	Johnson & Johnson	2 686	4 927	
18 927	Varian Medical Systems Inc.	1 126	1 902	
		14 422	22 020	18.1

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
3 798	Acuity Brands Inc.	\$ 608	\$ 618	
44 076	Air Lease Corp.	1 748	1 757	
7 728	Copa Holdings S.A., Class A	1 166	931	
13 735	Danaher Corp.	591	1 368	
43 810	Generac Holdings Inc.	1 793	2 380	
28 385	General Electric Company	736	833	
20 615	Spirit Airlines Inc.	622	1 810	
35 897	United Technologies Corp.	2 535	4 796	
		9 799	14 493	11.9
Information Technology				
45 238	Apple Inc.	3 872	5 801	
53 509	Cognizant Technology Solutions Corp., Class A	1 957	3 274	
10 459	Factset Research Systems Inc.	959	1 710	
4 035	Google Inc., Class A	2 131	2 488	
4 035	Google Inc., Class C	—	2 468	
20 163	IPG Photonics Corp.	1 281	1 755	
53 648	Microsoft Corp.	1 430	2 895	
81 193	Oracle Corporation	2 353	4 242	
41 161	QUALCOMM Inc.	2 087	3 555	
34 421	Seagate Technology	2 013	2 659	
32 140	Ubiquiti Networks Inc.	1 336	1 107	
		19 419	31 954	26.2
Utilities				
12 629	Entergy Corp.	1 200	1 283	
		1 200	1 283	1.1
TOTAL UNITED STATES EQUITIES		85 471	119 935	98.4
SHORT-TERM INVESTMENTS*		1 982	2 010	1.6
TOTAL INVESTMENTS		\$ 87 453	121 945	100.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		\$ 121 945		100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.21% and mature on January 9, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 121 945	\$ 112 059	\$ 98 705
Cash	19	30	6
Subscriptions receivable	173	363	25
Dividends receivable, interest accrued and other assets	56	81	63
TOTAL ASSETS	122 193	112 533	98 799
LIABILITIES			
Due to investment dealers	—	—	91
Redemptions payable	197	39	2
Accounts payable and accrued expenses	51	41	53
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	248	80	146
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 121 945	\$ 112 453	\$ 98 653
Investments at cost	\$ 87 453	\$ 80 861	\$ 92 712
NAV			
SERIES C	\$ 2 171	\$ 2 007	\$ 1 460
ADVISOR SERIES	\$ 281	\$ 274	\$ 185
SERIES D	\$ 37 146	\$ 34 628	\$ 45 053
SERIES F	\$ 536	\$ 430	\$ 389
SERIES O	\$ 81 811	\$ 75 114	\$ 51 566
NAV PER UNIT			
SERIES C	\$ 18.79	\$ 16.08	\$ 11.62
ADVISOR SERIES	\$ 18.78	\$ 16.08	\$ 11.62
SERIES D	\$ 19.18	\$ 16.29	\$ 11.71
SERIES F	\$ 19.41	\$ 16.47	\$ 11.83
SERIES O	\$ 19.60	\$ 16.63	\$ 11.95

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 557	\$ 1 567
Interest for distribution purposes	4	3
Net realized gain (loss) on investments	15 817	9 087
Net gain (loss) on foreign currencies and other net assets	7	64
Change in unrealized gain (loss) on investments	3 294	25 205
TOTAL INCOME (LOSS)	20 679	35 926
EXPENSES (see notes – Fund Specific Information)		
Management fees	404	391
Administration fees	95	81
Board of Governors costs	3	3
GST/HST	33	35
Transaction costs	64	54
Withholding tax	252	240
TOTAL EXPENSES	851	804
INCREASE (DECREASE) IN NAV	\$ 19 828	\$ 35 122
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 338	\$ 528
ADVISOR SERIES	\$ 42	\$ 69
SERIES D	\$ 5 833	\$ 11 985
SERIES F	\$ 76	\$ 126
SERIES O	\$ 13 539	\$ 22 414
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 2.68	\$ 4.47
ADVISOR SERIES	\$ 2.68	\$ 4.32
SERIES D	\$ 2.87	\$ 4.59
SERIES F	\$ 2.94	\$ 4.70
SERIES O	\$ 3.15	\$ 4.91

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 19 828	\$ 35 122
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(15 808)	(9 041)
Change in unrealized loss (gain) on investments	(3 294)	(25 205)
(Increase) decrease in accrued receivables	25	(18)
Increase (decrease) in accrued payables	10	(103)
Cost of investments purchased	(198 964)	(145 247)
Proceeds on sales of investments	208 180	166 139
NET CASH PROVIDED BY OPERATING ACTIVITIES	9 977	21 647
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	7 643	26 271
Cash paid on redemption of redeemable units	(17 377)	(47 679)
Distributions paid to holders of redeemable units	(254)	(215)
NET CASH USED IN FINANCING ACTIVITIES	\$ (9 988)	\$ (21 623)
Net increase (decrease) in cash for the year	(11)	24
Cash (bank overdraft), beginning of period	30	6
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 19	\$ 30
Interest received	\$ 5	\$ 3
Dividends received, net of withholding taxes	\$ 1 331	\$ 1 308

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 007	\$ 1 460	\$ 274	\$ 185	\$ 34 628	\$ 45 053	\$ 430	\$ 389
INCREASE (DECREASE) IN NAV	338	528	42	69	5 833	11 985	76	126
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	342	467	46	106	4 306	4 456	98	59
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	60	1	2
Redemption of redeemable units	(516)	(448)	(81)	(86)	(7 621)	(26 864)	(68)	(144)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(174)	19	(35)	20	(3 315)	(22 348)	31	(83)
Distributions from net income	—	—	—	—	—	(62)	(1)	(2)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	(62)	(1)	(2)
NET INCREASE (DECREASE) IN NAV	164	547	7	89	2 518	(10 425)	106	41
NAV AT END OF PERIOD	\$ 2 171	\$ 2 007	\$ 281	\$ 274	\$ 37 146	\$ 34 628	\$ 536	\$ 430

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 75 114	\$ 51 566	\$ 112 453	\$ 98 653
INCREASE (DECREASE) IN NAV	13 539	22 414	19 828	35 122
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	2 661	21 521	7 453	26 609
Reinvestments of distributions to holders of redeemable units	582	725	583	787
Redemption of redeemable units	(9 249)	(20 174)	(17 535)	(47 716)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(6 006)	2 072	(9 499)	(20 320)
Distributions from net income	(836)	(938)	(837)	(1 002)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(836)	(938)	(837)	(1 002)
NET INCREASE (DECREASE) IN NAV	6 697	23 548	9 492	13 800
NAV AT END OF PERIOD	\$ 81 811	\$ 75 114	\$ 121 945	\$ 112 453

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

December 31, 2014

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 primarily in a well-diversified portfolio of shares of large-capitalization, high-quality North American companies, with an emphasis on U.S. stocks.

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

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Information Technology	26.2	26.8	26.1
Health Care	18.1	15.3	14.9
Financials	17.8	14.7	15.5
Industrials	11.9	18.9	13.8
Consumer Discretionary	9.2	5.1	7.7
Energy	8.8	6.1	7.7
Consumer Staples	5.3	6.6	8.3
Utilities	1.1	–	–
Materials	–	3.1	3.2
Telecommunication Services	–	–	0.9
Cash/Other	1.6	3.4	1.9

Currency risk (% of net assets)

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

Currency	December 31 2014	December 31 2013	January 1 2013
United States dollar	100.0	99.5	100.0
Total	100.0	99.5	100.0

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

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

	December 31 2014	December 31 2013	January 1 2013
S&P 500 Total Return Index (CAD)	+ or - 0.9	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	119 935	–	–	119 935
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 010	–	2 010
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	119 935	2 010	–	121 945
% of total portfolio	98.4	1.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	108 390	–	–	108 390
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 669	–	3 669
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	108 390	3 669	–	112 059
% of total portfolio	96.7	3.3	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	96 743	–	–	96 743
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 962	–	1 962
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	96 743	1 962	–	98 705
% of total portfolio	98.0	2.0	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

December 31, 2014

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.07%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	50	50
Advisor Series	95	95
Series F	50	50
Series O	52	51
Value of all units	5	4

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	61 022
Non-capital losses	–

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	125	126
Issued number of units	20	33
Reinvested number of units	–	–
Redeemed number of units	(29)	(34)
Ending number of units	116	125
Advisor Series		
Opening units	17	16
Issued number of units	3	8
Reinvested number of units	–	–
Redeemed number of units	(5)	(7)
Ending number of units	15	17
Series D		
Opening units	2 125	3 848
Issued number of units	247	314
Reinvested number of units	–	4
Redeemed number of units	(436)	(2 041)
Ending number of units	1 936	2 125
Series F		
Opening units	26	33
Issued number of units	6	4
Reinvested number of units	–	–
Redeemed number of units	(4)	(11)
Ending number of units	28	26
Series O		
Opening units	4 516	4 314
Issued number of units	149	1 607
Reinvested number of units	29	44
Redeemed number of units	(520)	(1 449)
Ending number of units	4 174	4 516

December 31, 2014

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	64	100	54	100
Related-party brokerage commissions*	1	2	26	48
Commission arrangements†	14	22	29	54

* See note 7 in the generic notes.

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

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	112 434	98 621
Revaluation of investments at FVTPL	19	32
Net assets attributable to holders of redeemable units	112 453	98 653

	December 31 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	35 135
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)	(13)
Increase (decrease) in net assets attributable to holders of redeemable units	35 122

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
INTERNATIONAL EQUITIES				
Australia				
1 698 575	Oil Search Ltd.	\$ 16 234	\$ 12 655	
		16 234	12 655	1.6
Belgium				
269 090	InBev N.V.	31 824	35 184	
		31 824	35 184	4.3
France				
123 661	Air Liquide S.A.	17 038	17 778	
340 477	BNP Paribas S.A.	22 900	23 352	
444 654	Safran S.A.	30 257	31 872	
		70 195	73 002	9.0
Germany				
107 101	Continental AG	24 788	26 300	
938 996	Deutsche Post AG	32 726	35 514	
233 553	Drillisch AG	9 457	9 707	
		66 971	71 521	8.8
Hong Kong				
4 848 783	AIA Group Ltd.	29 016	31 070	
		29 016	31 070	3.8
India				
253 542	HDFC Bank Ltd.	3 830	5 091	
363 570	HDFC Bank Ltd. ADR	19 383	21 445	
		23 213	26 536	3.3
Japan				
1 165 597	Astellas Pharma Inc.	18 026	18 853	
215 112	Nidec Corp.	15 239	16 141	
390 804	Santen Pharmaceutical Co. Ltd.	25 890	24 443	
85 674	SMC Corp.	25 152	26 101	
324 267	Sumitomo Mitsui Financial Group Inc.	14 113	13 620	
479 111	Toyota Motor Corp.	30 620	34 688	
		129 040	133 846	16.5
Netherlands				
198 218	ASML Holding N.V.	20 004	24 882	
		20 004	24 882	3.1
South Africa				
193 550	Naspers Ltd.	28 031	29 088	
		28 031	29 088	3.6
Spain				
2 130 481	CaixaBank S.A.	13 059	12 970	
		13 059	12 970	1.6
Sweden				
790 594	Svenska Cellulosa AB	21 050	19 802	
		21 050	19 802	2.4

Holdings	Security	Cost	Fair Value	% of Net Assets
Switzerland				
231 424	Aryzta AG	\$ 22 784	\$ 20 662	
155 215	Novartis AG	15 505	16 724	
104 356	Roche Holdings AG Genussscheine	24 468	32 849	
25 503	Partners Group Holding AG	8 312	8 620	
1 149 048	UBS Group AG	21 941	22 948	
48 426	Syngenta AG	19 057	18 097	
74 443	Temenos Group AG	3 149	3 080	
		115 216	122 980	15.2
Taiwan				
1 108 255	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	25 200	28 816	
		25 200	28 816	3.5
Thailand				
2 380 048	Kasikornbank PCL	18 999	19 141	
		18 999	19 141	2.4
United Kingdom				
735 284	Admiral Group Plc.	18 425	17 525	
685 907	Britvic Plc.	8 330	8 334	
2 125 183	Kingfisher Plc.	11 678	13 052	
368 946	Liberty Global Plc.	17 040	21 520	
18 083 920	Lloyds TSB Group Plc.	24 282	24 713	
369 178	Rio Tinto Plc.	23 423	19 772	
554 767	Royal Dutch Shell Plc., B Shares	24 739	22 269	
1 325 490	St James's Place Plc.	18 070	19 417	
554 080	WPP Plc.	12 334	13 384	
		158 321	159 986	19.7
TOTAL INTERNATIONAL EQUITIES		766 373	801 479	98.8
SHORT-TERM INVESTMENTS*		6 405	6 405	0.8
TOTAL INVESTMENTS		772 778	807 884	99.6
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	16	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(6)	–
TOTAL PORTFOLIO		\$ 772 778	807 894	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			3 055	0.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 810 949	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.22% and mature between January 2, 2015 and January 30, 2015.

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

December 31, 2014

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 512 Sold USD 441 @ 1.1633	02-Jan-15	\$ 1
Bought CAD 91 Sold EUR 65 @ 1.4139	02-Jan-15	1
Bought CAD 89 Sold AUD 94 @ 0.9492	05-Jan-15	–
Bought ZAR 30 145 Sold CAD 3 014 @ 0.1000	06-Jan-15	13
Bought CAD 1 552 Sold JPY 159 842 @ 0.0097	07-Jan-15	1
		<u>\$ 16</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 140 Sold SEK 943 @ 0.1482	02-Jan-15	\$ (1)
Bought CAD 3 772 Sold HKD 25 211 @ 0.1496	05-Jan-15	(5)
		<u>\$ (6)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ 10</u>

All counterparties have a credit rating of at least A.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 807 884	\$ 988 355	\$ 925 009
Cash	673	47 672	16 278
Due from investment dealers	6 295	–	4 195
Subscriptions receivable	1 119	1 166	1 901
Unrealized gain on foreign exchange contracts	16	–	17
Dividends receivable, interest accrued and other assets	399	434	802
TOTAL ASSETS	816 386	1 037 627	948 202
LIABILITIES			
Due to investment dealers	3 028	–	–
Redemptions payable	2 155	645	957
Unrealized loss on foreign exchange contracts	6	–	–
Accounts payable and accrued expenses	248	250	284
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	5 437	895	1 241
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 810 949	\$ 1 036 732	\$ 946 961
Investments at cost	\$ 772 778	\$ 799 304	\$ 893 382
NAV			
SERIES C	\$ 3 100	\$ 3 406	\$ 2 862
ADVISOR SERIES	\$ 1 017	\$ 1 143	\$ 578
SERIES D	\$ 149 793	\$ 159 035	\$ 186 156
SERIES F	\$ 3 371	\$ 4 178	\$ 3 292
SERIES O	\$ 653 668	\$ 868 970	\$ 754 073
NAV PER UNIT			
SERIES C	\$ 11.44	\$ 11.21	\$ 9.15
ADVISOR SERIES	\$ 11.44	\$ 11.21	\$ 9.15
SERIES D	\$ 11.35	\$ 11.13	\$ 9.08
SERIES F	\$ 10.83	\$ 10.61	\$ 8.66
SERIES O	\$ 11.58	\$ 11.35	\$ 9.27

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 35 493	\$ 33 337
Interest for distribution purposes	50	(16)
Securities lending revenue (see note 6 in the generic notes)	714	1 079
Net realized gain (loss) on investments	183 813	52 299
Net gain (loss) on foreign currencies and other net assets	(525)	(927)
Change in unrealized gain (loss) on investments	(153 935)	157 407
TOTAL INCOME (LOSS)	65 610	243 179
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 821	1 870
Administration fees	866	915
Board of Governors costs	3	3
GST/HST	209	233
Transaction costs	3 968	3 935
Withholding tax	4 051	4 376
TOTAL EXPENSES	10 918	11 332
INCREASE (DECREASE) IN NAV	\$ 54 692	\$ 231 847
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 129	\$ 676
ADVISOR SERIES	\$ 43	\$ 199
SERIES D	\$ 7 322	\$ 34 246
SERIES F	\$ 192	\$ 840
SERIES O	\$ 47 006	\$ 195 886
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.46	\$ 2.10
ADVISOR SERIES	\$ 0.46	\$ 2.07
SERIES D	\$ 0.56	\$ 2.16
SERIES F	\$ 0.56	\$ 2.10
SERIES O	\$ 0.70	\$ 2.36

Statements of Cash Flow *(in \$000s)*For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 54 692	\$ 231 847
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(183 813)	(52 299)
Change in unrealized loss (gain) on investments	153 935	(157 407)
(Increase) decrease in accrued receivables	(6 260)	4 563
Increase (decrease) in accrued payables	3 026	(34)
Cost of investments purchased	(1 763 877)	(840 292)
Proceeds on sales of investments	1 974 216	986 669
NET CASH PROVIDED BY OPERATING ACTIVITIES	231 919	173 047
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	128 088	197 540
Cash paid on redemption of redeemable units	(402 272)	(336 347)
Distributions paid to holders of redeemable units	(4 734)	(2 846)
NET CASH USED IN FINANCING ACTIVITIES	\$ (278 918)	\$ (141 653)
Net increase (decrease) in cash for the year	(46 999)	31 394
Cash (bank overdraft), beginning of period	47 672	16 278
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 673	\$ 47 672
Interest received	\$ 258	\$ (16)
Dividends received, net of withholding taxes	\$ 31 478	\$ 29 330

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 406	\$ 2 862	\$ 1 143	\$ 578	\$ 159 035	\$ 186 156	\$ 4 178	\$ 3 292
INCREASE (DECREASE) IN NAV	129	676	43	199	7 322	34 246	192	840
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 342	886	213	611	12 544	17 263	525	1 460
Reinvestments of distributions to holders of redeemable units	54	25	15	7	3 765	2 385	34	26
Redemption of redeemable units	(1 775)	(1 017)	(379)	(243)	(28 876)	(78 503)	(1 460)	(1 363)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(379)	(106)	(151)	375	(12 567)	(58 855)	(901)	123
Distributions from net income	(56)	(26)	(18)	(9)	(3 997)	(2 512)	(98)	(77)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(56)	(26)	(18)	(9)	(3 997)	(2 512)	(98)	(77)
NET INCREASE (DECREASE) IN NAV	(306)	544	(126)	565	(9 242)	(27 121)	(807)	886
NAV AT END OF PERIOD	\$ 3 100	\$ 3 406	\$ 1 017	\$ 1 143	\$ 149 793	\$ 159 035	\$ 3 371	\$ 4 178

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 868 970	\$ 754 073	\$ 1 036 732	\$ 946 961
INCREASE (DECREASE) IN NAV	47 006	195 886	54 692	231 847
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	113 417	176 585	128 041	196 805
Reinvestments of distributions to holders of redeemable units	21 229	21 552	25 097	23 995
Redemption of redeemable units	(371 292)	(254 909)	(403 782)	(336 035)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(236 646)	(56 772)	(250 644)	(115 235)
Distributions from net income	(25 662)	(24 217)	(29 831)	(26 841)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(25 662)	(24 217)	(29 831)	(26 841)
NET INCREASE (DECREASE) IN NAV	(215 302)	114 897	(225 783)	89 771
NAV AT END OF PERIOD	\$ 653 668	\$ 868 970	\$ 810 949	\$ 1 036 732

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

December 31, 2014

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.

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Europe ex-United Kingdom Equities	44.4	47.6	45.0
United Kingdom Equities	19.7	21.8	21.7
Japan Equities	16.5	17.9	12.4
Pacific Rim ex-Japan Equities	14.6	6.0	15.1
Middle East & Africa Equities	3.6	–	0.3
Latin America Equities	–	1.1	1.6
United States Equities	–	1.0	1.7
Cash/Other	1.2	4.6	2.2

Currency risk (% of net assets)

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

Currency	December 31 2014	December 31 2013	January 1 2013
Euro	26.9	36.7	27.3
Pound sterling	17.1	19.8	18.8
Japanese yen	16.5	17.9	12.4
Swiss franc	15.2	11.3	15.6
United States dollar	8.9	1.9	7.5
Hong Kong dollar	3.8	3.5	9.1
South African rand	3.6	–	–
Thailand baht	2.4	–	–
Swedish krona	2.4	1.0	–
Australian dollar	1.6	1.0	0.9
Indian rupee	0.6	–	–
Singapore dollar	–	0.6	3.8
South Korean won	–	0.6	0.5
Norwegian krone	–	0.5	1.0
Brazilian real	–	–	0.6
Other currencies	–	0.6	0.4
Total	99.0	95.4	97.9

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
MSCI EAFE Total Return Net Index (CAD)	+ or - 0.9	+ or - 1.0	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	71 781	729 698	–	801 479
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	6 405	–	6 405
Derivatives – assets	–	16	–	16
Derivatives – liabilities	–	(6)	–	(6)
Total financial instruments	71 781	736 113	–	807 894
% of total portfolio	8.9	91.1	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	19 815	968 540	–	988 355
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	19 815	968 540	–	988 355
% of total portfolio	2.0	98.0	–	100.0

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

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	70 885	854 124	–	925 009
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	17	–	17
Derivatives – liabilities	–	–	–	–
Total financial instruments	70 885	854 141	–	925 026
% of total portfolio	7.7	92.3	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series C	1.85%
Advisor Series	1.85%
Series D	1.10%
Series F	0.85%

Operating expenses (see note 7 in the generic notes)

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

Series C	0.15%
Advisor Series	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.08%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	53	52
Advisor Series	102	100
Series D	54	53
Series F	58	57
Value of all units	3	3

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	238 517
Non-capital losses	–

Unitholders' equity (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	304	313
Issued number of units	117	92
Reinvested number of units	5	2
Redeemed number of units	(155)	(103)
Ending number of units	271	304
Advisor Series		
Opening units	102	63
Issued number of units	19	63
Reinvested number of units	1	1
Redeemed number of units	(33)	(25)
Ending number of units	89	102
Series D		
Opening units	14 294	20 501
Issued number of units	1 093	1 782
Reinvested number of units	330	220
Redeemed number of units	(2 523)	(8 209)
Ending number of units	13 194	14 294

December 31, 2014

For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	394	380
Issued number of units	47	158
Reinvested number of units	3	3
Redeemed number of units	(133)	(147)
Ending number of units	311	394
Series O		
Opening units	76 537	81 370
Issued number of units	9 610	17 929
Reinvested number of units	1 822	1 951
Redeemed number of units	(31 542)	(24 713)
Ending number of units	56 427	76 537

Transaction costs (\$000s except %)

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

	December 31		December 31	
	2014	2013	2014	2013
	\$	%	\$	%
Total transaction costs	3 968	100	3 935	100
Related-party brokerage commissions*	68	2	—	—
Commission arrangements†	—	—	—	—

* See note 7 in the generic notes.

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

Securities lending revenue (\$000s) (see note 6 in the generic notes)

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

	December 31	December 31
	2014	2013
Fair value of securities loaned	28 035	176 438
Fair value of collateral received	28 596	185 259

Investments by other related investment funds (%) (see note 7 in the generic notes)

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

	December 31	December 31
	2014	2013
Phillips, Hager & North PRisM Balanced Fund	—	1.1
BonaVista Global Balanced Fund	0.1	—
Phillips, Hager & North Enhanced Long Government Bond Fund	—	—
Phillips, Hager & North Overseas Equity Class	4.4	2.5
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	16.5	19.0
Phillips, Hager & North LifeTime 2015 Fund	0.1	—
Phillips, Hager & North LifeTime 2020 Fund	0.1	—
Phillips, Hager & North LifeTime 2025 Fund	0.1	—
Phillips, Hager & North LifeTime 2030 Fund	0.1	—
Phillips, Hager & North LifeTime 2035 Fund	0.2	—
Phillips, Hager & North LifeTime 2040 Fund	0.2	—
Phillips, Hager & North LifeTime 2045 Fund	0.5	—
Phillips, Hager & North LifeTime 2050 Fund	—	—
Total	22.3	22.6

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31	January 1
	2013	2013
Net assets		
Net assets as reported under Canadian GAAP	1 036 730	946 955
Revaluation of investments at FVTPL	2	6
Net assets attributable to holders of redeemable units	1 036 732	946 961
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		231 851
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(4)
Increase (decrease) in net assets attributable to holders of redeemable units		231 847

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

December 31, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
11 518 033	Phillips, Hager & North Overseas Equity Fund*	\$ 111 809	\$ 133 430	
TOTAL INVESTMENTS		111 809	133 430	99.2
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	1 124	0.9
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(348)	(0.3)
TOTAL PORTFOLIO		<u>\$ 111 809</u>	<u>134 206</u>	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			278	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 134 484</u>	100.0

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

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 1 666 Sold SEK 10 788 @ 0.1544	08-Jan-15	\$ 58
Bought CAD 61 Sold SEK 400 @ 0.1527	08-Jan-15	1
Bought CAD 804 Sold SEK 5 178 @ 0.1553	08-Jan-15	32
Bought CAD 99 Sold SEK 650 @ 0.1522	08-Jan-15	2
Bought CAD 1 610 Sold HKD 10 729 @ 0.1501	14-Jan-15	2
Bought CAD 120 Sold HKD 800 @ 0.1500	14-Jan-15	–
Bought CAD 260 Sold CHF 217 @ 1.1995	14-Jan-15	7
Bought CAD 297 Sold CHF 250 @ 1.1866	14-Jan-15	4
Bought CAD 3 429 Sold CHF 2 889 @ 1.1869	14-Jan-15	52
Bought CAD 313 Sold CHF 265 @ 1.1802	14-Jan-15	3
Bought CAD 370 Sold CHF 311 @ 1.1907	14-Jan-15	7
Bought CAD 486 Sold CHF 415 @ 1.1717	14-Jan-15	1
Bought CAD 691 Sold CHF 585 @ 1.1816	14-Jan-15	7
Bought CAD 7 111 Sold CHF 6 012 @ 1.1827	14-Jan-15	82
Bought CAD 791 Sold CHF 675 @ 1.1712	14-Jan-15	1
Bought HKD 1 500 Sold CAD 224 @ 0.1496	14-Jan-15	–
Bought HKD 170 Sold CAD 25 @ 0.1498	14-Jan-15	–
Bought CAD 100 Sold GBP 55 @ 1.8128	16-Jan-15	–
Bought CAD 16 494 Sold GBP 9 086 @ 1.8153	16-Jan-15	38
Bought CAD 2 082 Sold GBP 1 147 @ 1.8154	16-Jan-15	5
Bought CAD 354 Sold GBP 195 @ 1.8136	16-Jan-15	–
Bought GBP 140 Sold CAD 250 @ 1.7834	16-Jan-15	4
Bought CAD 7 124 Sold JPY 733 619 @ 0.0097	21-Jan-15	4
Bought JPY 119 000 Sold CAD 1 142 @ 0.0096	21-Jan-15	13
Bought JPY 12 500 Sold CAD 121 @ 0.0097	21-Jan-15	–
Bought CAD 1 162 Sold ZAR 11 308 @ 0.1027	22-Jan-15	29
Bought CAD 1 679 Sold ZAR 16 352 @ 0.1027	22-Jan-15	42

SCHEDULE A (cont.)**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 181 Sold ZAR 1 800 @ 0.1006	22-Jan-15	\$ 1
Bought CAD 71 Sold ZAR 700 @ 0.1009	22-Jan-15	1
Bought CAD 82 Sold ZAR 800 @ 0.1024	22-Jan-15	2
Bought ZAR 1 000 Sold CAD 99 @ 0.0986	22-Jan-15	2
Bought ZAR 1 000 Sold CAD 99 @ 0.0992	22-Jan-15	1
Bought ZAR 1 120 Sold CAD 112 @ 0.0998	22-Jan-15	–
Bought ZAR 500 Sold CAD 49 @ 0.0986	22-Jan-15	1
Bought CAD 1 549 Sold AUD 1 574 @ 0.9840	23-Jan-15	57
Bought CAD 121 Sold AUD 125 @ 0.9704	23-Jan-15	3
Bought CAD 149 Sold AUD 151 @ 0.9837	23-Jan-15	5
Bought CAD 38 Sold AUD 40 @ 0.9519	23-Jan-15	–
Bought CAD 38 Sold AUD 40 @ 0.9554	23-Jan-15	–
Bought CAD 5 108 Sold USD 4 386 @ 1.1647	03-Feb-15	9
Bought CAD 1 207 Sold GBP 665 @ 1.8147	04-Feb-15	2
Bought CAD 3 743 Sold EUR 2 613 @ 1.4325	04-Feb-15	66
Bought CAD 707 Sold EUR 500 @ 1.4149	04-Feb-15	4
Bought CAD 13 954 Sold EUR 9 739 @ 1.4328	05-Feb-15	247
Bought CAD 146 Sold SEK 950 @ 0.1532	06-Feb-15	4
Bought CAD 18 097 Sold EUR 12 772 @ 1.4169	06-Feb-15	121
Bought CAD 2 132 Sold EUR 1 504 @ 1.4173	06-Feb-15	15
Bought CAD 532 Sold EUR 375 @ 1.4194	06-Feb-15	4
Bought CAD 595 Sold CHF 500 @ 1.1907	06-Feb-15	10
Bought CAD 6 816 Sold CHF 5 775 @ 1.1803	06-Feb-15	58
Bought CAD 708 Sold EUR 500 @ 1.4152	06-Feb-15	4
Bought CAD 811 Sold SEK 5 249 @ 0.1544	06-Feb-15	28
Bought USD 155 Sold CAD 180 @ 1.1614	13-Feb-15	–
Bought CAD 5 950 Sold JPY 611 833 @ 0.0097	18-Feb-15	7
Bought CAD 6 720 Sold JPY 691 431 @ 0.0097	18-Feb-15	4
Bought CAD 646 Sold AUD 657 @ 0.9826	18-Feb-15	24
Bought JPY 240 000 Sold CAD 2 326 @ 0.0097	18-Feb-15	6
Bought JPY 55 000 Sold CAD 533 @ 0.0097	18-Feb-15	1
Bought CAD 1 204 Sold ZAR 11 780 @ 0.1022	02-Mar-15	30
Bought CAD 266 Sold ZAR 2 600 @ 0.1022	02-Mar-15	7
Bought ZAR 1 500 Sold CAD 148 @ 0.0984	02-Mar-15	2
Bought CAD 2 069 Sold HKD 13 769 @ 0.1503	16-Mar-15	3
Bought HKD 3 500 Sold CAD 524 @ 0.1498	16-Mar-15	1
		<u>\$ 1 124</u>

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

December 31, 2014

SCHEDULE A (cont.)**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Loss
Bought SEK 950 Sold CAD 145 @ 0.1525	08-Jan-15	\$ (3)
Bought CAD 149 Sold HKD 1 000 @ 0.1489	14-Jan-15	(1)
Bought CAD 159 Sold CHF 137 @ 1.1605	14-Jan-15	(1)
Bought CAD 2 101 Sold HKD 14 525 @ 0.1446	14-Jan-15	(76)
Bought CHF 160 Sold CAD 188 @ 1.1760	14-Jan-15	(1)
Bought CHF 200 Sold CAD 235 @ 1.1736	14-Jan-15	(1)
Bought CHF 400 Sold CAD 480 @ 1.2012	14-Jan-15	(13)
Bought HKD 1 400 Sold CAD 210 @ 0.1499	14-Jan-15	–
Bought CAD 181 Sold GBP 100 @ 1.8067	16-Jan-15	–
Bought CAD 199 Sold GBP 110 @ 1.8055	16-Jan-15	(1)
Bought CAD 233 Sold GBP 129 @ 1.8062	16-Jan-15	(1)
Bought CAD 254 Sold GBP 142 @ 1.7921	16-Jan-15	(3)
Bought CAD 265 Sold GBP 150 @ 1.7681	16-Jan-15	(6)
Bought CAD 388 Sold GBP 215 @ 1.8053	16-Jan-15	(1)
Bought CAD 541 Sold GBP 300 @ 1.8026	16-Jan-15	(3)
Bought CAD 621 Sold GBP 350 @ 1.7752	16-Jan-15	(12)
Bought CAD 908 Sold GBP 505 @ 1.7981	16-Jan-15	(7)
Bought GBP 400 Sold CAD 729 @ 1.8229	16-Jan-15	(5)
Bought CAD 180 Sold JPY 18 847 @ 0.0096	21-Jan-15	(3)
Bought CAD 383 Sold JPY 40 000 @ 0.0096	21-Jan-15	(5)
Bought CAD 6 771 Sold JPY 697 900 @ 0.0097	21-Jan-15	(2)
Bought JPY 60 000 Sold CAD 587 @ 0.0098	21-Jan-15	(4)
Bought CAD 239 Sold ZAR 2 400 @ 0.0997	22-Jan-15	(1)
Bought CAD 529 Sold ZAR 5 300 @ 0.0997	22-Jan-15	(2)
Bought CAD 80 Sold ZAR 800 @ 0.1001	22-Jan-15	–
Bought CAD 90 Sold ZAR 900 @ 0.0995	22-Jan-15	(1)
Bought ZAR 1 100 Sold CAD 112 @ 0.1017	22-Jan-15	(2)
Bought ZAR 400 Sold CAD 41 @ 0.1024	22-Jan-15	(1)
Bought AUD 170 Sold CAD 164 @ 0.9625	23-Jan-15	(3)
Bought AUD 200 Sold CAD 192 @ 0.9602	23-Jan-15	(3)

SCHEDULE A (cont.)**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Loss
Bought AUD 30 Sold CAD 28 @ 0.9482	23-Jan-15	\$ –
Bought AUD 30 Sold CAD 29 @ 0.9507	23-Jan-15	–
Bought AUD 40 Sold CAD 39 @ 0.9830	23-Jan-15	(1)
Bought AUD 80 Sold CAD 76 @ 0.9522	23-Jan-15	–
Bought CAD 47 Sold AUD 50 @ 0.9431	23-Jan-15	–
Bought CAD 94 Sold AUD 100 @ 0.9385	23-Jan-15	(1)
Bought GBP 147 Sold CAD 267 @ 1.8177	04-Feb-15	(1)
Bought EUR 450 Sold CAD 650 @ 1.4434	05-Feb-15	(16)
Bought EUR 1 000 Sold CAD 1 451 @ 1.4507	06-Feb-15	(43)
Bought EUR 1 190 Sold CAD 1 704 @ 1.4315	06-Feb-15	(29)
Bought SEK 400 Sold CAD 60 @ 0.1508	06-Feb-15	(1)
Bought CAD 1 144 Sold USD 1 000 @ 1.1438	13-Feb-15	(19)
Bought CAD 1 824 Sold USD 1 594 @ 1.1442	13-Feb-15	(30)
Bought USD 250 Sold CAD 292 @ 1.1663	13-Feb-15	(1)
Bought CAD 286 Sold JPY 30 000 @ 0.0095	18-Feb-15	(5)
Bought JPY 60 000 Sold CAD 595 @ 0.0099	18-Feb-15	(12)
Bought CAD 4 095 Sold USD 3 543 @ 1.1559	11-Mar-15	(27)
		\$ (348)
		<u>\$ 776</u>

TOTAL FOREIGN EXCHANGE

All counterparties have a credit rating of at least A.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 133 430	\$ 197 304	\$ 224 530
Cash	271	18	21
Due from investment dealers	–	–	501
Subscriptions receivable	51	1	21
Unrealized gain on foreign exchange contracts	1 124	1 910	2 036
TOTAL ASSETS	134 876	199 233	227 109
LIABILITIES			
Due to investment dealers	–	–	21
Redemptions payable	10	–	61
Unrealized loss on foreign exchange contracts	348	3 500	2 577
Accounts payable and accrued expenses	34	41	68
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	392	3 541	2 727
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 134 484	\$ 195 692	\$ 224 382
Investments at cost	\$ 111 809	\$ 163 840	\$ 226 031
NAV			
SERIES C	\$ 606	\$ 690	\$ 774
ADVISOR SERIES	\$ 111	\$ 176	\$ 62
SERIES D	\$ 11 692	\$ 14 496	\$ 35 554
SERIES F	\$ 700	\$ 1 042	\$ 827
SERIES O	\$ 121 375	\$ 179 288	\$ 187 165
NAV PER UNIT			
SERIES C	\$ 9.10	\$ 8.89	\$ 7.59
ADVISOR SERIES	\$ 9.10	\$ 8.89	\$ 7.59
SERIES D	\$ 8.84	\$ 8.64	\$ 7.37
SERIES F	\$ 8.93	\$ 8.72	\$ 7.44
SERIES O	\$ 8.96	\$ 8.76	\$ 7.47

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
Statements of Comprehensive Income
(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ (1)	\$ (1)
Other income received from underlying funds	5 194	5 517
Net realized gain (loss) on investments	17 398	11 249
Net gain (loss) on foreign currencies and other net assets	(2 885)	(8 690)
Change in unrealized gain (loss) on investments	(9 477)	33 916
TOTAL INCOME (LOSS)	10 229	41 991
EXPENSES (see notes – Fund Specific Information)		
Management fees	159	268
Administration fees	222	318
Board of Governors costs	3	3
GST/HST	34	52
TOTAL EXPENSES	418	641
INCREASE (DECREASE) IN NAV	\$ 9 811	\$ 41 350
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 29	\$ 115
ADVISOR SERIES	\$ 3	\$ 12
SERIES D	\$ 670	\$ 3 482
SERIES F	\$ 43	\$ 179
SERIES O	\$ 9 066	\$ 37 562
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.39	\$ 1.33
ADVISOR SERIES	\$ 0.39	\$ 1.32
SERIES D	\$ 0.45	\$ 1.33
SERIES F	\$ 0.47	\$ 1.42
SERIES O	\$ 0.57	\$ 1.49

Statements of Cash Flow (in \$000s)
For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 9 811	\$ 41 350
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(17 398)	(11 249)
Change in unrealized loss (gain) on investments	9 477	(33 916)
(Increase) decrease in accrued receivables	–	501
Increase (decrease) in accrued payables	(7)	(48)
Cost of investments purchased	(18 486)	(34 273)
Proceeds on sales of investments	87 915	107 713
NET CASH PROVIDED BY OPERATING ACTIVITIES	71 312	70 078
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	13 283	60 034
Cash paid on redemption of redeemable units	(82 179)	(128 900)
Distributions paid to holders of redeemable units	(2 163)	(1 215)
NET CASH USED IN FINANCING ACTIVITIES	\$ (71 059)	\$ (70 081)
Net increase (decrease) in cash for the year	253	(3)
Cash (bank overdraft), beginning of period	18	21
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 271	\$ 18
Interest received	\$ (1)	\$ (1)
Dividends received, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 690	\$ 774	\$ 176	\$ 62	\$ 14 496	\$ 35 554	\$ 1 042	\$ 827
INCREASE (DECREASE) IN NAV	29	115	3	12	670	3 482	43	179
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	194	114	58	325	905	4 190	176	383
Reinvestments of distributions to holders of redeemable units	15	4	3	1	367	194	5	2
Redemption of redeemable units	(306)	(313)	(126)	(223)	(4 346)	(28 716)	(539)	(331)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(97)	(195)	(65)	103	(3 074)	(24 332)	(358)	54
Distributions from net income	(10)	(4)	(2)	(1)	(288)	(208)	(20)	(18)
Distributions from net gains	(6)	—	(1)	—	(112)	—	(7)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(16)	(4)	(3)	(1)	(400)	(208)	(27)	(18)
NET INCREASE (DECREASE) IN NAV	(84)	(84)	(65)	114	(2 804)	(21 058)	(342)	215
NAV AT END OF PERIOD	\$ 606	\$ 690	\$ 111	\$ 176	\$ 11 692	\$ 14 496	\$ 700	\$ 1 042

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 179 288	\$ 187 165	\$ 195 692	\$ 224 382
INCREASE (DECREASE) IN NAV	9 066	37 562	9 811	41 350
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	12 000	55 002	13 333	60 014
Reinvestments of distributions to holders of redeemable units	3 514	3 441	3 904	3 642
Redemption of redeemable units	(76 872)	(99 256)	(82 189)	(128 839)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(61 358)	(40 813)	(64 952)	(65 183)
Distributions from net income	(4 472)	(4 626)	(4 792)	(4 857)
Distributions from net gains	(1 149)	—	(1 275)	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(5 621)	(4 626)	(6 067)	(4 857)
NET INCREASE (DECREASE) IN NAV	(57 913)	(7 877)	(61 208)	(28 690)
NAV AT END OF PERIOD	\$ 121 375	\$ 179 288	\$ 134 484	\$ 195 692

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth primarily through exposure to a diversified portfolio of companies located in countries outside North America, including countries in Europe, the Far East (including Japan), and Australia, while minimizing fluctuations in the value of foreign currencies relative to the Canadian dollar.

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

The Fund invests in the Phillips, Hager & North Overseas Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Europe ex-United Kingdom Equities	44.0	47.9	45.1
United Kingdom Equities	19.6	22.0	21.8
Japan Equities	16.4	18.1	12.4
Pacific Rim ex-Japan Equities	14.5	6.1	15.1
Middle East & Africa Equities	3.6	–	0.3
Latin America Equities	–	1.1	1.6
United States Equities	–	1.0	1.7
Cash/Other	1.9	3.8	2.0

Currency risk (% of net assets)

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

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

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
MSCI EAFE Total Return Net Index (hedged to CAD)	+ or - 1.0	+ or - 1.1	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	133 430	–	–	133 430
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 124	–	1 124
Derivatives – liabilities	–	(348)	–	(348)
Total financial instruments	133 430	776	–	134 206
% of total portfolio	99.4	0.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	197 304	–	–	197 304
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 910	–	1 910
Derivatives – liabilities	–	(3 500)	–	(3 500)
Total financial instruments	197 304	(1 590)	–	195 714
% of total portfolio	100.8	(0.8)	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	224 530	–	–	224 530
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	2 036	–	2 036
Derivatives – liabilities	–	(2 577)	–	(2 577)
Total financial instruments	224 530	(541)	–	223 989
% of total portfolio	100.2	(0.2)	–	100.0

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

December 31, 2014

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series C	1.85%
Advisor Series	1.85%
Series D	1.10%
Series F	0.85%

Operating expenses (see note 7 in the generic notes)

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

Series C	0.15%
Advisor Series	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.14%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	66	64
Advisor Series	129	126
Series D	70	68
Series F	70	68
Series O	73	70
Value of all units	4	3

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

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Overseas Equity Fund	99.2	16.5	100.8	19.0
			January 1, 2013	
			NAV	Ownership
Phillips, Hager & North Overseas Equity Fund			100.1	23.7

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	78	102
Issued number of units	21	14
Reinvested number of units	2	1
Redeemed number of units	(34)	(39)
Ending number of units	67	78
Advisor Series		
Opening units	20	8
Issued number of units	6	41
Reinvested number of units	–	–
Redeemed number of units	(14)	(29)
Ending number of units	12	20
Series D		
Opening units	1 678	4 822
Issued number of units	104	546
Reinvested number of units	41	23
Redeemed number of units	(501)	(3 713)
Ending number of units	1 322	1 678

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

December 31, 2014

 For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	119	111
Issued number of units	19	49
Reinvested number of units	1	–
Redeemed number of units	(61)	(41)
Ending number of units	78	119
Series O		
Opening units	20 476	25 054
Issued number of units	1 353	6 969
Reinvested number of units	392	404
Redeemed number of units	(8 679)	(11 951)
Ending number of units	13 542	20 476

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014	December 31 2013
Phillips, Hager & North PRisM Balanced Fund	–	5.6
Phillips, Hager & North Enhanced Long Government Bond Fund	–	0.2
Total	–	5.8

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

 Reconciliation of net assets and comprehensive income as
previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	195 692	224 382
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	195 692	224 382

	December 31 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	41 350
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)	–
Increase (decrease) in net assets attributable to holders of redeemable units	41 350

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
GLOBAL EQUITIES				
Belgium				
24 174	InBev N.V.	\$ 2 857	\$ 3 161	
		2 857	3 161	3.5
Canada				
55 516	Enbridge Inc.	2 923	3 317	
		2 923	3 317	3.7
France				
32 936	Safran S.A.	2 164	2 360	
		2 164	2 360	2.6
Germany				
73 482	Deutsche Post AG	2 580	2 778	
22 040	Drillisch AG	828	916	
		3 408	3 694	4.1
Hong Kong				
309 351	AIA Group Ltd.	1 863	1 982	
		1 863	1 982	2.2
India				
46 639	HDFC Bank Ltd. ADR	2 439	2 751	
		2 439	2 751	3.1
Japan				
47 507	Toyota Motor Corp.	3 037	3 440	
		3 037	3 440	3.8
Netherlands				
22 639	ASML Holding N.V.	2 302	2 842	
		2 302	2 842	3.2
South Africa				
18 266	Naspers Ltd.	2 510	2 745	
		2 510	2 745	3.1
Switzerland				
17 073	Aryzta AG	1 672	1 524	
9 294	Roche Holdings AG Genussscheine	2 914	2 926	
		4 586	4 450	4.9
Taiwan				
124 119	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	2 775	3 227	
		2 775	3 227	3.6
United Kingdom				
805 899	Lloyds TSB Group Plc.	1 099	1 101	
123 814	St James's Place Plc.	1 708	1 814	
		2 807	2 915	3.2
United States				
3 962	Amazon.com, Inc.	1 381	1 429	
17 483	Amgen Inc.	2 445	3 235	
28 876	Baxter International Inc.	2 344	2 459	
80 785	Blackstone Group LP	2 952	3 171	
28 768	Citigroup Inc.	1 532	1 809	
49 441	Cognizant Technology Solutions Corp., Class A	2 467	3 025	
29 013	Danaher Corp.	2 410	2 889	
26 539	EOG Resources Inc.	2 929	2 839	
22 760	Estée Lauder Companies Inc., Class A	1 870	2 015	

Holdings	Security	Cost	Fair Value	% of Net Assets
United States (cont.)				
51 450	First Republic Bank	\$ 2 701	\$ 3 115	
3 128	Google Inc., Class A	1 975	1 928	
9 471	Grainger (W.W.) Inc.	2 517	2 805	
15 217	Incyte Corporation Ltd.	811	1 293	
42 255	Invesco Ltd.	1 762	1 940	
65 323	ITC Holdings Corp.	2 588	3 068	
16 892	Kansas City Southern Industries Inc.	2 059	2 395	
13 073	LyondellBasell Industries N.V.	1 535	1 206	
17 361	MEDNAX Inc.	1 063	1 334	
13 590	Occidental Petroleum Corp.	1 472	1 273	
14 655	Praxair Inc.	2 072	2 207	
41 922	TJX Companies Inc.	2 571	3 340	
27 912	UnitedHealth Group Incorporated	2 595	3 278	
		46 051	52 053	57.9
TOTAL GLOBAL EQUITIES		79 722	88 937	98.9
SHORT-TERM INVESTMENTS*		846	846	0.9
TOTAL INVESTMENTS		80 568	89 783	99.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
			5	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
			(6)	–
TOTAL PORTFOLIO		\$ 80 568	89 782	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			191	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 89 973	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.23% and mature between January 2, 2015 and January 19, 2015.

SCHEDULE A**Foreign Exchange Contracts**

Contract	Maturity Date	Unrealized Gain
Bought CAD 546 Sold USD 469 @ 1.1633	02-Jan-15	\$ 1
Bought CAD 884 Sold EUR 627 @ 1.4103	02-Jan-15	3
Bought CAD 328 Sold CHF 279 @ 1.1730	05-Jan-15	1
		\$ 5
Contracts	Maturity Date	Unrealized Loss
Bought CAD 213 Sold GBP 118 @ 1.8053	02-Jan-15	\$ (1)
Bought CAD 4 258 Sold USD 3 669 @ 1.1606	05-Jan-15	(5)
Bought CAD 143 Sold HKD 958 @ 0.1495	05-Jan-15	–
Bought CAD 204 Sold ZAR 2 033 @ 0.1003	07-Jan-15	–
		\$ (6)
TOTAL FOREIGN EXCHANGE		\$ (1)

All counterparties have a credit rating of at least A.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 89 783	\$ 96 285	\$ 106 793
Cash	33	17	4
Due from investment dealers	7 163	306	251
Subscriptions receivable	35	40	101
Unrealized gain on foreign exchange contracts	5	–	–
Dividends receivable, interest accrued and other assets	51	13	14
TOTAL ASSETS	97 070	96 661	107 163
LIABILITIES			
Due to investment dealers	346	21	96
Redemptions payable	6 694	325	54
Unrealized loss on foreign exchange contracts	6	–	–
Accounts payable and accrued expenses	51	42	43
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	7 097	388	193
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 89 973	\$ 96 273	\$ 106 970
Investments at cost	\$ 80 568	\$ 76 109	\$ 106 530
NAV			
SERIES C	\$ 3 640	\$ 2 921	\$ 1 840
ADVISOR SERIES	\$ 879	\$ 637	\$ 267
SERIES D	\$ 36 737	\$ 34 029	\$ 34 301
SERIES F	\$ 435	\$ 207	\$ 152
SERIES O	\$ 48 282	\$ 58 479	\$ 70 410
NAV PER UNIT			
SERIES C	\$ 11.82	\$ 10.25	\$ 7.90
ADVISOR SERIES	\$ 11.82	\$ 10.25	\$ 7.90
SERIES D	\$ 11.94	\$ 10.27	\$ 7.92
SERIES F	\$ 12.10	\$ 10.38	\$ 8.00
SERIES O	\$ 12.26	\$ 10.43	\$ 8.04

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 582	\$ –
Interest for distribution purposes	7	3
Other income received from underlying funds	–	2 473
Securities lending revenue (see note 6 in the generic notes)	1	–
Net realized gain (loss) on investments	25 935	5 560
Net gain (loss) on foreign currencies and other net assets	25	–
Change in unrealized gain (loss) on investments	(10 962)	19 913
TOTAL INCOME (LOSS)	15 588	27 949
EXPENSES (see notes – Fund Specific Information)		
Management fees	426	362
Administration fees	72	69
Board of Governors costs	3	3
GST/HST	41	41
Transaction costs	119	–
Withholding tax	60	(20)
TOTAL EXPENSES	721	455
INCREASE (DECREASE) IN NAV	\$ 14 867	\$ 27 494
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 472	\$ 638
ADVISOR SERIES	\$ 111	\$ 106
SERIES D	\$ 5 276	\$ 8 679
SERIES F	\$ 51	\$ 55
SERIES O	\$ 8 957	\$ 18 016
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.57	\$ 2.46
ADVISOR SERIES	\$ 1.57	\$ 2.42
SERIES D	\$ 1.67	\$ 2.50
SERIES F	\$ 1.72	\$ 2.59
SERIES O	\$ 1.82	\$ 2.61

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 14 867	\$ 27 494
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(25 904)	(5 547)
Change in unrealized loss (gain) on investments	10 962	(19 913)
(Increase) decrease in accrued receivables	(6 895)	(54)
Increase (decrease) in accrued payables	334	(76)
Cost of investments purchased	(240 624)	(127 669)
Proceeds on sales of investments	262 069	163 637
NET CASH PROVIDED BY OPERATING ACTIVITIES	14 809	37 872
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	11 064	17 491
Cash paid on redemption of redeemable units	(25 857)	(55 262)
Distributions paid to holders of redeemable units	–	(88)
NET CASH USED IN FINANCING ACTIVITIES	\$ (14 793)	\$ (37 859)
Net increase (decrease) in cash for the year	16	13
Cash (bank overdraft), beginning of period	17	4
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 33	\$ 17
Interest received	\$ 20	\$ 3
Dividends received, net of withholding taxes	\$ 484	\$ 20

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 921	\$ 1 840	\$ 637	\$ 267	\$ 34 029	\$ 34 301	\$ 207	\$ 152
INCREASE (DECREASE) IN NAV	472	638	111	106	5 276	8 679	51	55
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	508	767	464	291	3 111	2 705	183	222
Reinvestments of distributions to holders of redeemable units	—	18	—	4	—	476	—	3
Redemption of redeemable units	(261)	(324)	(333)	(27)	(5 679)	(11 648)	(6)	(222)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	247	461	131	268	(2 568)	(8 467)	177	3
Distributions from net income	—	(18)	—	(4)	—	(484)	—	(3)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	(18)	—	(4)	—	(484)	—	(3)
NET INCREASE (DECREASE) IN NAV	719	1 081	242	370	2 708	(272)	228	55
NAV AT END OF PERIOD	\$ 3 640	\$ 2 921	\$ 879	\$ 637	\$ 36 737	\$ 34 029	\$ 435	\$ 207

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 58 479	\$ 70 410	\$ 96 273	\$ 106 970
INCREASE (DECREASE) IN NAV	8 957	18 016	14 867	27 494
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	6 793	13 445	11 059	17 430
Reinvestments of distributions to holders of redeemable units	—	1 393	—	1 894
Redemption of redeemable units	(25 947)	(43 312)	(32 226)	(55 533)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(19 154)	(28 474)	(21 167)	(36 209)
Distributions from net income	—	(1 473)	—	(1 982)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	(1 473)	—	(1 982)
NET INCREASE (DECREASE) IN NAV	(10 197)	(11 931)	(6 300)	(10 697)
NAV AT END OF PERIOD	\$ 48 282	\$ 58 479	\$ 89 973	\$ 96 273

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

December 31, 2014

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 primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, the Far East (including Japan), and Australia.

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

In August 2014, the Fund sold its investments in Underlying Funds and invested directly in global equities. Prior to that time, the Fund's exposure to financial instrument risk was based on the underlying mutual fund asset mix.

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
United States Equities	56.5	50.9	51.1
Europe ex-United Kingdom Equities	19.7	22.9	21.6
Pacific Rim ex-Japan Equities	8.8	3.0	7.3
Japan Equities	3.8	8.6	6.0
Canadian Equities	3.7	–	–
United Kingdom Equities	3.2	10.5	10.5
Middle East & Africa Equities	3.1	–	0.1
Latin America Equities	–	0.5	0.8
Cash/Other	1.2	3.6	2.6

Currency risk (% of net assets)

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

	December 31 2014
Currency	
United States dollar	60.1
Euro	12.5
Swiss franc	4.6
Japanese yen	3.6
Pound sterling	3.0
South African rand	2.8
Hong Kong dollar	2.1
Total	88.7

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.9% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
MSCI World ex Canada Total Return Net Index (CAD)	+ or - 0.9	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	61 348	27 589	–	88 937
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	846	–	846
Derivatives – assets	–	5	–	5
Derivatives – liabilities	–	(6)	–	(6)
Total financial instruments	61 348	28 434	–	89 782
% of total portfolio	68.3	31.7	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	95 787	–	–	95 787
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	498	–	498
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	95 787	498	–	96 285
% of total portfolio	99.5	0.5	–	100.0

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

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	106 441	–	–	106 441
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	352	–	352
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	106 441	352	–	106 793
% of total portfolio	99.7	0.3	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

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

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

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

	December 31 2014	December 31 2013
Units held		
Series C	67	67
Advisor Series	130	130
Series D	68	68
Series F	69	69
Series O	70	70
Value of all units	5	4

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North U.S. Equity Fund	–	–	51.1	5.9
Phillips, Hager & North Overseas Equity Pension Trust	–	–	48.3	9.6

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North U.S. Equity Fund	51.5	6.1
Phillips, Hager & North Overseas Equity Pension Trust	48.0	9.4

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

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	69 588
Non-capital losses	–

December 31, 2014

Unitholders' equity (000s)

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

For the periods ended December 31
 (see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	285	233
Issued number of units	47	86
Reinvested number of units	–	2
Redeemed number of units	(24)	(36)
Ending number of units	308	285
Advisor Series		
Opening units	62	34
Issued number of units	43	31
Reinvested number of units	–	–
Redeemed number of units	(31)	(3)
Ending number of units	74	62
Series D		
Opening units	3 312	4 333
Issued number of units	286	295
Reinvested number of units	–	47
Redeemed number of units	(522)	(1 363)
Ending number of units	3 076	3 312
Series F		
Opening units	20	19
Issued number of units	17	26
Reinvested number of units	–	–
Redeemed number of units	(1)	(25)
Ending number of units	36	20
Series O		
Opening units	5 605	8 759
Issued number of units	613	1 536
Reinvested number of units	–	136
Redeemed number of units	(2 280)	(4 826)
Ending number of units	3 938	5 605

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	119	100	–	–
Related-party brokerage commissions*	3	3	–	–
Commission arrangements†	–	–	–	–

* See note 7 in the generic notes.

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

Securities lending revenue (\$000s) (see note 6 in the generic notes)

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

	December 31 2014	December 31 2013
Fair value of securities loaned	2 343	–
Fair value of collateral received	2 390	–

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	96 273	106 970
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	96 273	106 970
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		27 494
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		27 494

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
GLOBAL EQUITIES				
France				
36 631	Safran S.A.	\$ 2 453	\$ 2 626	
		2 453	2 626	2.5
Germany				
5 626	Continental AG	1 313	1 381	
88 648	Deutsche Post AG	3 113	3 353	
26 394	Drillisch AG	1 064	1 097	
		5 490	5 831	5.6
India				
20 588	HDFC Bank Ltd.	310	413	
34 006	HDFC Bank Ltd. ADR	1 770	2 006	
		2 080	2 419	2.3
Japan				
24 194	Santen Pharmaceutical Co. Ltd.	1 589	1 513	
51 448	Toyota Motor Corp.	3 260	3 725	
		4 849	5 238	5.1
Netherlands				
21 277	ASML Holding N.V.	2 152	2 671	
		2 152	2 671	2.6
South Africa				
20 804	Naspers Ltd.	2 954	3 127	
		2 954	3 127	3.0
Sweden				
75 366	Svenska Cellulosa AB	1 998	1 888	
		1 998	1 888	1.8
Switzerland				
24 086	Aryzta AG	2 306	2 150	
10 800	Roche Holdings AG Genussscheine	2 776	3 400	
		5 082	5 550	5.4
Taiwan				
137 676	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3 144	3 580	
		3 144	3 580	3.4
United Kingdom				
76 810	Britvic Plc.	970	933	
178 529	Kingfisher Plc.	980	1 096	
1 768 409	Lloyds TSB Group Plc.	2 358	2 417	
101 653	Prudential Corporation Plc.	2 557	2 730	
145 395	St James's Place Plc.	1 969	2 130	
		8 834	9 306	9.0
United States				
21 521	Amgen Inc.	3 008	3 983	
24 874	Baxter International Inc.	1 986	2 118	
91 069	Blackstone Group LP	3 228	3 575	
24 997	Citigroup Inc.	1 341	1 572	
58 440	Cognizant Technology Solutions Corp., Class A	2 906	3 575	
35 114	Danaher Corp.	2 907	3 497	
26 655	EOG Resources Inc.	2 995	2 851	

Holdings	Security	Cost	Fair Value	% of Net Assets
United States (cont.)				
33 367	Estée Lauder Companies Inc., Class A	\$ 2 732	\$ 2 954	
62 523	First Republic Bank	3 090	3 786	
4 161	Google Inc., Class A	2 719	2 565	
9 260	Grainger (W.W.) Inc.	2 438	2 742	
12 675	Incyte Corporation Ltd.	1 027	1 077	
18 456	International Flavors & Fragrances Inc.	1 998	2 173	
50 421	Invesco Ltd.	2 112	2 315	
74 591	ITC Holdings Corp.	2 964	3 504	
20 315	Kansas City Southern Industries Inc.	2 496	2 880	
15 278	LyondellBasell Industries N.V.	1 713	1 409	
27 555	MEDNAX Inc.	1 681	2 117	
15 883	Occidental Petroleum Corp.	1 692	1 487	
15 149	Praxair Inc.	2 137	2 281	
49 463	TJX Companies Inc.	3 108	3 941	
32 520	UnitedHealth Group Incorporated	3 025	3 819	
		53 303	60 221	58.0
TOTAL GLOBAL EQUITIES		92 339	102 457	98.7
SHORT-TERM INVESTMENTS*		642	642	0.6
TOTAL INVESTMENTS		92 981	103 099	99.3
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	1	–
TOTAL PORTFOLIO		\$ 92 981	103 100	99.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			688	0.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 103 788	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.23% and mature between January 2, 2015 and January 16, 2015.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 582 Sold USD 501 @ 1.1633	02-Jan-15	\$ 1
TOTAL FOREIGN EXCHANGE		\$ 1

All counterparties have a credit rating of at least A.

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 103 099	\$ 85 159	\$ 77 412
Cash	59	1 960	2 473
Due from investment dealers	644	–	2 186
Subscriptions receivable	14	785	49
Unrealized gain on foreign exchange contracts	1	–	1
Dividends receivable, interest accrued and other assets	63	34	40
TOTAL ASSETS	103 880	87 938	82 161
LIABILITIES			
Due to investment dealers	62	–	2 257
Redemptions payable	–	168	93
Accounts payable and accrued expenses	30	21	18
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	92	189	2 368
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 103 788	\$ 87 749	\$ 79 793
Investments at cost	\$ 92 981	\$ 66 417	\$ 73 272
NAV			
SERIES C	\$ 1 914	\$ 1 320	\$ 523
ADVISOR SERIES	\$ 1 259	\$ 697	\$ 149
SERIES D	\$ 8 053	\$ 6 801	\$ 5 844
SERIES F	\$ 754	\$ 308	\$ 91
SERIES O	\$ 91 808	\$ 78 623	\$ 73 186
NAV PER UNIT			
SERIES C	\$ 11.52	\$ 11.10	\$ 8.44
ADVISOR SERIES	\$ 11.53	\$ 11.10	\$ 8.44
SERIES D	\$ 11.43	\$ 11.03	\$ 8.38
SERIES F	\$ 11.43	\$ 11.02	\$ 8.37
SERIES O	\$ 11.64	\$ 11.20	\$ 8.51

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 2 458	\$ 2 031
Interest for distribution purposes	8	(1)
Securities lending revenue (see note 6 in the generic notes)	25	44
Net realized gain (loss) on investments	22 111	8 517
Net gain (loss) on foreign currencies and other net assets	(126)	96
Change in unrealized gain (loss) on investments	(8 623)	14 601
TOTAL INCOME (LOSS)	15 853	25 288
EXPENSES (see notes – Fund Specific Information)		
Management fees	126	82
Administration fees	152	123
Board of Governors costs	3	3
GST/HST	28	22
Transaction costs	289	163
Withholding tax	317	301
TOTAL EXPENSES	915	694
INCREASE (DECREASE) IN NAV	\$ 14 938	\$ 24 594
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 215	\$ 273
ADVISOR SERIES	\$ 130	\$ 76
SERIES D	\$ 1 047	\$ 1 702
SERIES F	\$ 81	\$ 43
SERIES O	\$ 13 465	\$ 22 500
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.57	\$ 2.69
ADVISOR SERIES	\$ 1.56	\$ 2.68
SERIES D	\$ 1.67	\$ 2.73
SERIES F	\$ 1.70	\$ 2.81
SERIES O	\$ 1.82	\$ 2.90

Statements of Cash Flow (in \$000s)
For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 14 938	\$ 24 594
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(22 104)	(8 517)
Change in unrealized loss (gain) on investments	8 623	(14 601)
(Increase) decrease in accrued receivables	(673)	2 192
Increase (decrease) in accrued payables	71	(2 254)
Cost of investments purchased	(418 175)	(221 527)
Proceeds on sales of investments	413 715	236 899
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3 605)	16 786
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	20 530	8 066
Cash paid on redemption of redeemable units	(18 215)	(25 293)
Distributions paid to holders of redeemable units	(611)	(72)
NET CASH USED IN FINANCING ACTIVITIES	\$ 1 704	\$ (17 299)
Net increase (decrease) in cash for the year	(1 901)	(513)
Cash (bank overdraft), beginning of period	1 960	2 473
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 59	\$ 1 960
Interest received	\$ 8	\$ (1)
Dividends received, net of withholding taxes	\$ 2 112	\$ 1 736

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 320	\$ 523	\$ 697	\$ 149	\$ 6 801	\$ 5 844	\$ 308	\$ 91
INCREASE (DECREASE) IN NAV	215	273	130	76	1 047	1 702	81	43
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	616	654	512	480	1 399	889	432	199
Reinvestments of distributions to holders of redeemable units	174	1	112	1	698	62	63	3
Redemption of redeemable units	(238)	(129)	(79)	(8)	(1 085)	(1 629)	(52)	(25)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	552	526	545	473	1 012	(678)	443	177
Distributions from net income	(2)	(2)	(1)	(1)	(77)	(67)	(9)	(3)
Distributions from net gains	(171)	—	(112)	—	(730)	—	(69)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(173)	(2)	(113)	(1)	(807)	(67)	(78)	(3)
NET INCREASE (DECREASE) IN NAV	594	797	562	548	1 252	957	446	217
NAV AT END OF PERIOD	\$ 1 914	\$ 1 320	\$ 1 259	\$ 697	\$ 8 053	\$ 6 801	\$ 754	\$ 308

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 78 623	\$ 73 186	\$ 87 749	\$ 79 793
INCREASE (DECREASE) IN NAV	13 465	22 500	14 938	24 594
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	16 800	6 580	19 759	8 802
Reinvestments of distributions to holders of redeemable units	9 336	1 487	10 383	1 554
Redemption of redeemable units	(16 593)	(23 577)	(18 047)	(25 368)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	9 543	(15 510)	12 095	(15 012)
Distributions from net income	(1 789)	(1 553)	(1 878)	(1 626)
Distributions from net gains	(8 034)	—	(9 116)	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(9 823)	(1 553)	(10 994)	(1 626)
NET INCREASE (DECREASE) IN NAV	13 185	5 437	16 039	7 956
NAV AT END OF PERIOD	\$ 91 808	\$ 78 623	\$ 103 788	\$ 87 749

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

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

Investment Management®

December 31, 2014

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 primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, the Far East (including Japan), and Australia.

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

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
United States Equities	56.7	50.2	49.0
Europe ex-United Kingdom Equities	19.2	24.4	26.5
United Kingdom Equities	9.0	8.7	6.5
Pacific Rim ex-Japan Equities	5.8	2.9	5.9
Japan Equities	5.0	9.0	6.5
Middle East & Africa Equities	3.0	0.3	0.7
Latin America Equities	–	0.7	1.8
Cash/Other	1.3	3.8	3.1

Currency risk (% of net assets)

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

	December 31 2014	December 31 2013	January 1 2013
Currency			
United States dollar	63.5	52.8	57.6
Euro	10.7	16.9	12.9
Pound sterling	9.0	8.1	6.5
Swiss franc	5.3	5.9	7.7
Japanese yen	5.0	9.0	6.5
South African rand	3.0	–	–
Hong Kong dollar	–	1.7	4.0
Norwegian krone	–	1.1	1.8
Swedish krona	–	0.5	–
Indian rupee	–	–	0.5
Other currencies	2.2	0.9	0.6
Total	98.7	96.9	98.1

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	December 31 2014	December 31 2013	January 1 2013
MSCI World ex Canada Total Return Net Index (CAD)	+ or - 0.9	+ or - 1.0	+ or - 1.1

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

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

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	65 807	36 650	–	102 457
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	642	–	642
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	–	–	–
Total financial instruments	65 807	37 293	–	103 100
% of total portfolio	63.8	36.2	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	45 633	38 810	–	84 443
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	716	–	716
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	45 633	39 526	–	85 159
% of total portfolio	53.6	46.4	–	100.0

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

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

Investment Management®

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	44 732	32 680	–	77 412
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	–	–	–
Total financial instruments	44 732	32 681	–	77 413
% of total portfolio	57.8	42.2	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

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

Operating expenses (see note 7 in the generic notes)

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

Series C	0.15%
Advisor Series	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.15%

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

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

	December 31 2014	December 31 2013
Units held		
Series C	67	61
Advisor Series	131	119
Series D	70	64
Series F	71	64
Series O	72	65
Value of all units	5	4

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	119	62
Issued number of units	51	70
Reinvested number of units	15	–
Redeemed number of units	(19)	(13)
Ending number of units	166	119
Advisor Series		
Opening units	63	18
Issued number of units	43	46
Reinvested number of units	10	–
Redeemed number of units	(7)	(1)
Ending number of units	109	63
Series D		
Opening units	617	697
Issued number of units	119	89
Reinvested number of units	61	6
Redeemed number of units	(93)	(175)
Ending number of units	704	617
Series F		
Opening units	28	11
Issued number of units	37	20
Reinvested number of units	5	–
Redeemed number of units	(4)	(3)
Ending number of units	66	28

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

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

Investment Management®

December 31, 2014

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series 0		
Opening units	7 018	8 598
Issued number of units	1 420	685
Reinvested number of units	797	135
Redeemed number of units	(1 349)	(2 400)
Ending number of units	7 886	7 018

Transaction costs (\$000s except %)

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

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	289	100	163	100
Related-party brokerage commissions*	10	3	16	10
Commission arrangements†	7	2	17	10

* See note 7 in the generic notes.

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

Securities lending revenue (\$000s) (see note 6 in the generic notes)

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

	December 31 2014	December 31 2013
Fair value of securities loaned	361	7 036
Fair value of collateral received	368	7 387

**Investments by other related investment funds (%)
(see note 7 in the generic notes)**

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

	December 31 2014	December 31 2013
Phillips, Hager & North Community Values Balanced Fund	14.0	4.8

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	87 743	79 775
Revaluation of investments at FVTPL	6	18
Net assets attributable to holders of redeemable units	87 749	79 793
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		24 606
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(12)
Increase (decrease) in net assets attributable to holders of redeemable units		24 594

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2015 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
3 313	Vanguard Real Estate Investment Trust Fund	\$ 230	\$ 312	
TOTAL UNITED STATES EQUITIES		230	312	4.2
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
3 780	Phillips, Hager & North Canadian Money Market Fund*	\$ 38	\$ 38	
168 529	Phillips, Hager & North Bond Fund*	1 771	1 798	
38 567	Phillips, Hager & North High Yield Bond Fund*	454	440	
111 307	Phillips, Hager & North Short Inflation-linked Bond Fund*	1 140	1 110	
97 680	Phillips, Hager & North Long Inflation-linked Bond Fund*	1 107	1 135	
29 220	Phillips, Hager & North Canadian Equity Value Fund*	371	391	
35 038	Phillips, Hager & North Canadian Equity Underlying Fund*	377	388	
58 788	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	814	891	
38 654	Phillips, Hager & North Overseas Equity Fund*	407	448	
26 331	RBC International Equity Fund*	389	445	
TOTAL MUTUAL FUND UNITS		6 868	7 084	95.8
TOTAL INVESTMENTS		\$ 7 098	7 396	100.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			1	—
		\$ 7 397		100.0

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

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 7 396	\$ 5 325	\$ 3 080
Cash	–	39	25
Due from investment dealers	110	12	–
Subscriptions receivable	3	11	30
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	7 509	5 387	3 136
LIABILITIES			
Bank overdraft	60	–	–
Due to investment dealers	25	10	34
Redemptions payable	21	12	–
Distributions payable	2	2	2
Accounts payable and accrued expenses	4	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	112	27	38
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 7 397	\$ 5 360	\$ 3 098
Investments at cost	\$ 7 098	\$ 5 287	\$ 3 055
NAV			
SERIES D	\$ 4 843	\$ 3 522	\$ 2 074
SERIES O	\$ 2 554	\$ 1 838	\$ 1 024
NAV PER UNIT			
SERIES D	\$ 11.19	\$ 10.65	\$ 10.61
SERIES O	\$ 11.16	\$ 10.63	\$ 10.57

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 11	\$ 8
Other income received from underlying funds	213	123
Capital gains received from underlying funds	176	70
Net realized gain (loss) on investments	88	45
Change in unrealized gain (loss) on investments	260	13
TOTAL INCOME (LOSS)	748	259
EXPENSES (see notes – Fund Specific Information)		
Management fees	34	24
Administration fees	7	3
Board of Governors costs	3	3
GST/HST	3	2
Withholding tax	2	1
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	46	30
INCREASE (DECREASE) IN NAV	\$ 702	\$ 229
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 445	\$ 135
SERIES O	\$ 257	\$ 94
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.19	\$ 0.50
SERIES O	\$ 1.31	\$ 0.60

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 702	\$ 229
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(88)	(45)
Change in unrealized loss (gain) on investments	(260)	(13)
(Increase) decrease in accrued receivables	(98)	(11)
Increase (decrease) in accrued payables	16	(23)
Cost of investments purchased	(4 643)	(3 628)
Proceeds on sales of investments	2 920	1 441
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1 451)	(2 050)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 278	3 318
Cash paid on redemption of redeemable units	(1 925)	(1 252)
Distributions paid to holders of redeemable units	(1)	(2)
NET CASH USED IN FINANCING ACTIVITIES	\$ 1 352	\$ 2 064
Net increase (decrease) in cash for the year	(99)	14
Cash (bank overdraft), beginning of period	39	25
CASH (BANK OVERDRAFT), END OF PERIOD	\$ (60)	\$ 39
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 9	\$ 7

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 522	\$ 2 074	\$ 1 838	\$ 1 024	\$ 5 360	\$ 3 098
INCREASE (DECREASE) IN NAV	445	135	257	94	702	229
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	2 079	2 138	1 191	1 161	3 270	3 299
Reinvestments of distributions to holders of redeemable units	291	154	176	96	467	250
Redemption of redeemable units	(1 201)	(824)	(733)	(440)	(1 934)	(1 264)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 169	1 468	634	817	1 803	2 285
Distributions from net income	(106)	(65)	(78)	(46)	(184)	(111)
Distributions from net gains	(187)	(90)	(97)	(51)	(284)	(141)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(293)	(155)	(175)	(97)	(468)	(252)
NET INCREASE (DECREASE) IN NAV	1 321	1 448	716	814	2 037	2 262
NAV AT END OF PERIOD	\$ 4 843	\$ 3 522	\$ 2 554	\$ 1 838	\$ 7 397	\$ 5 360

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2015.

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

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

Credit risk (%)

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Bonds	56.6	52.2	50.1
United States Equities	16.1	16.9	16.9
Overseas Equities	11.9	13.3	13.9
Canadian Equities	10.2	11.1	11.4
Mortgages	0.2	0.1	0.2
Cash/Other	5.0	6.4	7.5

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.4% (December 31, 2013 – 6.9%, January 1, 2013 – 7.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.3	+ or - 0.3	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.3	+ or - 0.3	+ or - 0.2

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

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	312	–	–	312
Mutual fund units	7 084	–	–	7 084
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	7 396	–	–	7 396
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	214	–	–	214
Mutual fund units	5 111	–	–	5 111
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	5 325	–	–	5 325
% of total portfolio	100.0	–	–	100.0

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	115	–	–	115
Mutual fund units	2 965	–	–	2 965
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 080	–	–	3 080
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series D	0.80%
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Subsequent event

Effective January 1, 2015, the management fee for Series D units has been reduced to 0.75% from 0.80%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

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

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

	December 31 2014	December 31 2013
Units held		
Series D	58	55
Series O	51	47
Value of all units	1	1

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.5	–	0.5	–
Phillips, Hager & North Bond Fund	24.3	–	22.7	–
Phillips, Hager & North High Yield Bond Fund	6.0	–	5.8	–
Phillips, Hager & North Short Inflation-linked Bond Fund	15.0	65.8	8.4	53.6
Phillips, Hager & North Long Inflation-linked Bond Fund	15.4	3.3	19.6	5.5
Phillips, Hager & North Canadian Equity Value Fund	5.3	–	5.8	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	5.2	–	5.8	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	12.0	–	13.2	–
RBC International Equity Fund	6.0	0.2	6.8	0.2
Phillips, Hager & North Overseas Equity Fund	6.1	0.1	6.8	–

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

December 31, 2014

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.4	–
Phillips, Hager & North Bond Fund	22.2	–
Phillips, Hager & North High Yield Bond Fund	5.7	–
Phillips, Hager & North Short Inflation-linked Bond Fund	5.5	36.5
Phillips, Hager & North Long Inflation-linked Bond Fund	22.2	7.5
Phillips, Hager & North Canadian Equity Value Fund	6.0	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	5.9	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	13.7	–
RBC International Equity Fund	7.2	0.2
Phillips, Hager & North Overseas Equity Fund	7.1	–

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

	For the periods ended December 31 (see note 2 in the generic notes)	
	2014	2013
Series D		
Opening units	331	195
Issued number of units	183	199
Reinvested number of units	26	14
Redeemed number of units	(107)	(77)
Ending number of units	433	331

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series O		
Opening units	173	97
Issued number of units	104	107
Reinvested number of units	16	9
Redeemed number of units	(64)	(40)
Ending number of units	229	173

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	5 360	3 098
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	5 360	3 098
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		229
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		229

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2020 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
8 090	Vanguard Real Estate Investment Trust Fund	\$ 552	\$ 761	
TOTAL UNITED STATES EQUITIES		552	761	4.9
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
6 656	Phillips, Hager & North Canadian Money Market Fund*	\$ 67	\$ 67	
223 975	Phillips, Hager & North Bond Fund*	2 352	2 389	
70 483	Phillips, Hager & North High Yield Bond Fund*	827	806	
40 339	Phillips, Hager & North Short Inflation-linked Bond Fund*	423	402	
380 292	Phillips, Hager & North Long Inflation-linked Bond Fund*	4 348	4 421	
72 281	Phillips, Hager & North Canadian Equity Value Fund*	915	967	
88 574	Phillips, Hager & North Canadian Equity Underlying Fund*	959	980	
146 450	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	2 009	2 220	
95 550	Phillips, Hager & North Overseas Equity Fund*	1 008	1 107	
65 623	RBC International Equity Fund*	968	1 110	
TOTAL MUTUAL FUND UNITS		13 876	14 469	94.1
SHORT-TERM INVESTMENTS†		517	517	3.4
TOTAL INVESTMENTS		\$ 14 945	15 747	102.4
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(367)	(2.4)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 15 380		100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.00% and mature on January 2, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 15 747	\$ 8 946	\$ 4 921
Cash	14	51	53
Subscriptions receivable	111	59	53
TOTAL ASSETS	15 872	9 056	5 027
LIABILITIES			
Due to investment dealers	440	56	73
Redemptions payable	38	–	–
Distributions payable	5	–	–
Accounts payable and accrued expenses	9	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	492	59	75
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 15 380	\$ 8 997	\$ 4 952
Investments at cost	\$ 14 945	\$ 8 862	\$ 4 848
NAV			
SERIES D	\$ 9 429	\$ 5 711	\$ 3 104
SERIES O	\$ 5 951	\$ 3 286	\$ 1 848
NAV PER UNIT			
SERIES D	\$ 11.87	\$ 10.98	\$ 10.93
SERIES O	\$ 11.81	\$ 10.93	\$ 10.87

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 25	\$ 16
Other income received from underlying funds	365	176
Capital gains received from underlying funds	413	131
Net realized gain (loss) on investments	82	73
Change in unrealized gain (loss) on investments	718	11
TOTAL INCOME (LOSS)	1 603	407
EXPENSES (see notes – Fund Specific Information)		
Management fees	60	42
Administration fees	6	3
Board of Governors costs	3	3
GST/HST	6	4
Withholding tax	4	2
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	76	51
INCREASE (DECREASE) IN NAV	\$ 1 527	\$ 356
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 902	\$ 207
SERIES O	\$ 625	\$ 149
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.50	\$ 0.49
SERIES O	\$ 1.61	\$ 0.59

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 527	\$ 356
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(82)	(73)
Change in unrealized loss (gain) on investments	(718)	(11)
(Increase) decrease in accrued receivables	–	–
Increase (decrease) in accrued payables	390	(16)
Cost of investments purchased	(16 080)	(5 324)
Proceeds on sales of investments	10 079	1 383
NET CASH PROVIDED BY OPERATING ACTIVITIES	(4 884)	(3 685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	6 409	4 539
Cash paid on redemption of redeemable units	(1 562)	(856)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 4 847	\$ 3 683
Net increase (decrease) in cash for the year	(37)	(2)
Cash (bank overdraft), beginning of period	51	53
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 14	\$ 51
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 21	\$ 14

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 5 711	\$ 3 104	\$ 3 286	\$ 1 848	\$ 8 997	\$ 4 952
INCREASE (DECREASE) IN NAV	902	207	625	149	1 527	356
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	3 910	2 669	2 551	1 876	6 461	4 545
Reinvestments of distributions to holders of redeemable units	493	230	369	160	862	390
Redemption of redeemable units	(1 089)	(269)	(511)	(587)	(1 600)	(856)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	3 314	2 630	2 409	1 449	5 723	4 079
Distributions from net income	(163)	(81)	(159)	(73)	(322)	(154)
Distributions from net gains	(335)	(149)	(210)	(87)	(545)	(236)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(498)	(230)	(369)	(160)	(867)	(390)
NET INCREASE (DECREASE) IN NAV	3 718	2 607	2 665	1 438	6 383	4 045
NAV AT END OF PERIOD	\$ 9 429	\$ 5 711	\$ 5 951	\$ 3 286	\$ 15 380	\$ 8 997

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2020.

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

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

Credit risk (%)

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

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Bonds	49.0	47.5	47.7
United States Equities	19.1	19.5	19.6
Overseas Equities	14.2	15.2	15.1
Canadian Equities	12.2	12.7	12.6
Mortgages	0.1	–	0.1
Cash/Other	5.4	5.1	4.9

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 8.2% (December 31, 2013 – 8.4%, January 1, 2013 – 9.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.3	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.3	+ or - 0.3	+ or - 0.3

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

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	761	–	–	761
Mutual fund units	14 469	–	–	14 469
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	517	–	517
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	15 230	517	–	15 747
% of total portfolio	96.7	3.3	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	423	–	–	423
Mutual fund units	8 523	–	–	8 523
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	8 946	–	–	8 946
% of total portfolio	100.0	–	–	100.0

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	255	–	–	255
Mutual fund units	4 666	–	–	4 666
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	4 921	–	–	4 921
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series D	0.85%
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Subsequent event

Effective January 1, 2015, the management fee for Series D units has been reduced to 0.80% from 0.85%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

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

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

	December 31 2014	December 31 2013
Units held		
Series D	57	54
Series O	49	46
Value of all units	1	1

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.5	–	0.4	–
Phillips, Hager & North Bond Fund	15.6	–	12.7	–
Phillips, Hager & North High Yield Bond Fund	5.2	–	5.2	–
Phillips, Hager & North Short Inflation-linked Bond Fund	2.6	23.9	2.5	26.8
Phillips, Hager & North Long Inflation-linked Bond Fund	28.7	12.8	30.0	14.2
Phillips, Hager & North Canadian Equity Value Fund	6.3	0.1	6.6	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	6.4	–	6.6	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	14.4	0.1	15.1	0.1
RBC International Equity Fund	7.2	0.4	7.8	0.4
Phillips, Hager & North Overseas Equity Fund	7.2	0.1	7.8	0.1

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

December 31, 2014

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.4	–
Phillips, Hager & North Bond Fund	10.0	–
Phillips, Hager & North High Yield Bond Fund	5.1	–
Phillips, Hager & North Short Inflation-linked Bond Fund	2.5	26.4
Phillips, Hager & North Long Inflation-linked Bond Fund	32.6	17.5
Phillips, Hager & North Canadian Equity Value Fund	6.5	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	6.5	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	15.0	0.1
RBC International Equity Fund	7.9	0.4
Phillips, Hager & North Overseas Equity Fund	7.7	–

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

	For the periods ended December 31 (see note 2 in the generic notes)	
	2014	2013
Series D		
Opening units	520	284
Issued number of units	325	239
Reinvested number of units	41	21
Redeemed number of units	(92)	(24)
Ending number of units	794	520

	For the periods ended December 31 (see note 2 in the generic notes)	
	2014	2013
Series O		
Opening units	301	170
Issued number of units	215	168
Reinvested number of units	31	15
Redeemed number of units	(43)	(52)
Ending number of units	504	301

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	8 997	4 952
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	8 997	4 952
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		356
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		356

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2025 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
8 691	Vanguard Real Estate Investment Trust Fund	\$ 599	\$ 818	
TOTAL UNITED STATES EQUITIES		599	818	5.2
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
6 520	Phillips, Hager & North Canadian Money Market Fund*	\$ 65	\$ 65	
36 265	Phillips, Hager & North Bond Fund*	383	387	
101 246	Phillips, Hager & North High Yield Bond Fund*	1 188	1 156	
546 185	Phillips, Hager & North Long Inflation-linked Bond Fund*	6 177	6 350	
80 014	Phillips, Hager & North Canadian Equity Value Fund*	1 010	1 071	
97 328	Phillips, Hager & North Canadian Equity Underlying Fund*	1 049	1 077	
160 311	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	2 196	2 430	
102 115	Phillips, Hager & North Overseas Equity Fund*	1 075	1 183	
69 740	RBC International Equity Fund*	1 028	1 179	
TOTAL MUTUAL FUND UNITS		14 171	14 898	94.2
SHORT-TERM INVESTMENTS†		179	179	1.1
TOTAL INVESTMENTS		\$ 14 949	15 895	100.5
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(76)	(0.5)
HOLDERS OF REDEEMABLE UNITS		\$ 15 819		100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.00% and mature on January 2, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 15 895	\$ 9 109	\$ 5 166
Cash	16	50	34
Due from investment dealers	–	12	20
Subscriptions receivable	16	103	97
TOTAL ASSETS	15 927	9 274	5 317
LIABILITIES			
Due to investment dealers	100	97	97
Redemptions payable	1	14	20
Distributions payable	1	–	–
Accounts payable and accrued expenses	6	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
	108	114	119
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")			
	\$ 15 819	\$ 9 160	\$ 5 198
Investments at cost	\$ 14 949	\$ 9 044	\$ 5 040
NAV			
SERIES D	\$ 5 862	\$ 3 339	\$ 2 380
SERIES O	\$ 9 957	\$ 5 821	\$ 2 818
NAV PER UNIT			
SERIES D	\$ 12.00	\$ 10.96	\$ 11.02
SERIES O	\$ 11.92	\$ 10.90	\$ 10.96

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 27	\$ 16
Other income received from underlying funds	376	167
Capital gains received from underlying funds	447	137
Net realized gain (loss) on investments	71	79
Net gain (loss) on foreign currencies and other net assets	1	–
Change in unrealized gain (loss) on investments	881	(61)
TOTAL INCOME (LOSS)	1 803	338
EXPENSES (see notes – Fund Specific Information)		
Management fees	43	27
Administration fees	6	4
Board of Governors costs	3	3
GST/HST	5	3
Withholding tax	4	2
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	58	36
INCREASE (DECREASE) IN NAV	\$ 1 745	\$ 302
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 629	\$ 89
SERIES O	\$ 1 116	\$ 213
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.60	\$ 0.40
SERIES O	\$ 1.72	\$ 0.50

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 745	\$ 302
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(71)	(79)
Change in unrealized loss (gain) on investments	(881)	61
(Increase) decrease in accrued receivables	12	8
Increase (decrease) in accrued payables	6	1
Cost of investments purchased	(12 997)	(5 344)
Proceeds on sales of investments	7 163	1 419
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5 023)	(3 632)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	6 391	4 701
Cash paid on redemption of redeemable units	(1 402)	(1 052)
Distributions paid to holders of redeemable units	–	(1)
NET CASH USED IN FINANCING ACTIVITIES	\$ 4 989	\$ 3 648
Net increase (decrease) in cash for the year	(34)	16
Cash (bank overdraft), beginning of period	50	34
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 16	\$ 50
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 23	\$ 14

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 339	\$ 2 380	\$ 5 821	\$ 2 818	\$ 9 160	\$ 5 198
INCREASE (DECREASE) IN NAV	629	89	1 116	213	1 745	302
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	2 411	1 479	3 893	3 228	6 304	4 707
Reinvestments of distributions to holders of redeemable units	299	138	607	296	906	434
Redemption of redeemable units	(517)	(609)	(872)	(437)	(1 389)	(1 046)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	2 193	1 008	3 628	3 087	5 821	4 095
Distributions from net income	(93)	(48)	(259)	(132)	(352)	(180)
Distributions from net gains	(206)	(90)	(349)	(165)	(555)	(255)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(299)	(138)	(608)	(297)	(907)	(435)
NET INCREASE (DECREASE) IN NAV	2 523	959	4 136	3 003	6 659	3 962
NAV AT END OF PERIOD	\$ 5 862	\$ 3 339	\$ 9 957	\$ 5 821	\$ 15 819	\$ 9 160

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2025.

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

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

Credit risk (%)

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

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Bonds	47.2	46.8	48.3
United States Equities	20.3	20.4	19.8
Overseas Equities	14.7	15.7	15.6
Canadian Equities	13.1	13.1	12.9
Cash/Other	4.7	4.0	3.4

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 9.8% (December 31, 2013 – 9.7%, January 1, 2013 – 10.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.4% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.3	+ or - 0.3	+ or - 0.3

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

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	818	–	–	818
Mutual fund units	14 898	–	–	14 898
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	179	–	179
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	15 716	179	–	15 895
% of total portfolio	98.9	1.1	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	450	–	–	450
Mutual fund units	8 659	–	–	8 659
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	9 109	–	–	9 109
% of total portfolio	100.0	–	–	100.0

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	258	–	–	258
Mutual fund units	4 908	–	–	4 908
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	5 166	–	–	5 166
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series D	0.90%
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Subsequent event

Effective January 1, 2015, the management fee for Series D units has been reduced to 0.85% from 0.90%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

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

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

	December 31 2014	December 31 2013
Units held		
Series D	56	53
Series O	49	46
Value of all units	1	1

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.4	–	0.4	–
Phillips, Hager & North Bond Fund	2.4	–	2.4	–
Phillips, Hager & North High Yield Bond Fund	7.3	–	7.5	–
Phillips, Hager & North Long Inflation-linked Bond Fund	40.1	18.4	38.5	18.5
Phillips, Hager & North Canadian Equity Value Fund	6.8	0.1	6.8	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	6.8	–	6.8	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	15.4	0.1	15.8	0.1
RBC International Equity Fund	7.5	0.5	8.1	0.4
Phillips, Hager & North Overseas Equity Fund	7.5	0.1	8.1	0.1

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

December 31, 2014

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.4	–
Phillips, Hager & North Bond Fund	2.5	–
Phillips, Hager & North High Yield Bond Fund	7.5	–
Phillips, Hager & North Long Inflation-linked Bond Fund	39.3	22.2
Phillips, Hager & North Canadian Equity Value Fund	6.7	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	6.7	0.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	15.3	0.1
RBC International Equity Fund	8.1	0.4
Phillips, Hager & North Overseas Equity Fund	7.9	–

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

	For the periods ended December 31 (see note 2 in the generic notes)	
	2014	2013
Series D		
Opening units	305	216
Issued number of units	202	131
Reinvested number of units	25	13
Redeemed number of units	(44)	(55)
Ending number of units	488	305

	For the periods ended December 31 (see note 2 in the generic notes)	
	2014	2013
Series O		
Opening units	534	257
Issued number of units	326	289
Reinvested number of units	51	27
Redeemed number of units	(76)	(39)
Ending number of units	835	534

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	9 160	5 198
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	9 160	5 198
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		302
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		302

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2030 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
7 837	Vanguard Real Estate Investment Trust Fund	\$ 543	\$ 738	
TOTAL UNITED STATES EQUITIES		543	738	5.2
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
6 163	Phillips, Hager & North Canadian Money Market Fund*	\$ 62	\$ 62	
116 664	Phillips, Hager & North High Yield Bond Fund*	1 371	1 333	
473 529	Phillips, Hager & North Long Inflation-linked Bond Fund*	5 329	5 505	
76 011	Phillips, Hager & North Canadian Equity Value Fund*	963	1 017	
90 462	Phillips, Hager & North Canadian Equity Underlying Fund*	974	1 001	
151 092	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	2 084	2 290	
95 759	Phillips, Hager & North Overseas Equity Fund*	1 008	1 109	
66 661	RBC International Equity Fund*	990	1 127	
TOTAL MUTUAL FUND UNITS		12 781	13 444	94.2
SHORT-TERM INVESTMENTS†		247	247	1.7
TOTAL INVESTMENTS		\$ 13 571	14 429	101.1
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(155)	(1.1)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 14 274	100.0	

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.00% and mature on January 2, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 14 429	\$ 8 425	\$ 3 797
Cash	14	46	24
Due from investment dealers	–	–	5
Subscriptions receivable	33	140	115
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	14 476	8 611	3 942
LIABILITIES			
Due to investment dealers	175	131	117
Redemptions payable	23	–	–
Distributions payable	1	–	–
Accounts payable and accrued expenses	3	4	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	202	135	118
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 14 274	\$ 8 476	\$ 3 824
Investments at cost	\$ 13 571	\$ 8 350	\$ 3 731
NAV			
SERIES D	\$ 2 958	\$ 2 296	\$ 1 114
SERIES O	\$ 11 316	\$ 6 180	\$ 2 710
NAV PER UNIT			
SERIES D	\$ 11.93	\$ 10.93	\$ 10.87
SERIES O	\$ 11.86	\$ 10.87	\$ 10.81

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 24	\$ 14
Other income received from underlying funds	346	280
Capital gains received from underlying funds	418	5
Net realized gain (loss) on investments	82	62
Net gain (loss) on foreign currencies and other net assets	–	1
Change in unrealized gain (loss) on investments	783	9
TOTAL INCOME (LOSS)	1 653	371
EXPENSES (see notes – Fund Specific Information)		
Management fees	24	17
Administration fees	6	6
Board of Governors costs	3	3
GST/HST	2	2
Withholding tax	4	2
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	36	27
INCREASE (DECREASE) IN NAV	\$ 1 617	\$ 344
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 375	\$ 75
SERIES O	\$ 1 242	\$ 269
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.62	\$ 0.54
SERIES O	\$ 1.71	\$ 0.65

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 617	\$ 344
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(82)	(62)
Change in unrealized loss (gain) on investments	(783)	(9)
(Increase) decrease in accrued receivables	–	6
Increase (decrease) in accrued payables	43	17
Cost of investments purchased	(7 113)	(5 766)
Proceeds on sales of investments	1 974	1 209
NET CASH PROVIDED BY OPERATING ACTIVITIES	(4 344)	(4 261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	5 312	5 005
Cash paid on redemption of redeemable units	(1 000)	(722)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 4 312	\$ 4 283
Net increase (decrease) in cash for the year	(32)	22
Cash (bank overdraft), beginning of period	46	24
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 14	\$ 46
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 20	\$ 12

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 296	\$ 1 114	\$ 6 180	\$ 2 710	\$ 8 476	\$ 3 824
INCREASE (DECREASE) IN NAV	375	75	1 242	269	1 617	344
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	627	1 294	4 578	3 736	5 205	5 030
Reinvestments of distributions to holders of redeemable units	151	92	699	312	850	404
Redemption of redeemable units	(339)	(187)	(684)	(535)	(1 023)	(722)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	439	1 199	4 593	3 513	5 032	4 712
Distributions from net income	(45)	(68)	(292)	(241)	(337)	(309)
Distributions from net gains	(107)	(24)	(407)	(71)	(514)	(95)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(152)	(92)	(699)	(312)	(851)	(404)
NET INCREASE (DECREASE) IN NAV	662	1 182	5 136	3 470	5 798	4 652
NAV AT END OF PERIOD	\$ 2 958	\$ 2 296	\$ 11 316	\$ 6 180	\$ 14 274	\$ 8 476

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2030.

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

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

Credit risk (%)

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

Concentration risk (%)

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

Investment mix	December 31 2014	December 31 2013	January 1 2013
Bonds	45.5	45.1	44.9
United States Equities	20.9	20.9	21.1
Overseas Equities	15.4	16.4	16.9
Canadian Equities	13.6	13.7	14.0
Cash/Other	4.6	3.9	3.1

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 9.3% (December 31, 2013 – 9.3%, January 1, 2013 – 9.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.4% (December 31, 2013 – 0.3%, January 1, 2013 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.3	+ or - 0.4	+ or - 0.3

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

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	738	–	–	738
Mutual fund units	13 444	–	–	13 444
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	247	–	247
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	14 182	247	–	14 429
% of total portfolio	98.3	1.7	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	412	–	–	412
Mutual fund units	8 013	–	–	8 013
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	8 425	–	–	8 425
% of total portfolio	100.0	–	–	100.0

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	190	–	–	190
Mutual fund units	3 607	–	–	3 607
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 797	–	–	3 797
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series D	0.95%
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Subsequent event

Effective January 1, 2015, the management fee for Series D units has been reduced to 0.90% from 0.95%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

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

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

	December 31 2014	December 31 2013
Units held		
Series D	57	54
Series O	50	46
Value of all units	1	1

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

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.5	–	0.4	–
Phillips, Hager & North High Yield Bond Fund	9.3	–	9.4	–
Phillips, Hager & North Long Inflation-linked Bond Fund	38.6	16.0	37.2	16.5
Phillips, Hager & North Canadian Equity Value Fund	7.1	0.1	7.1	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	7.0	–	7.2	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	16.0	0.1	16.3	0.1
RBC International Equity Fund	7.9	0.4	8.4	0.4
Phillips, Hager & North Overseas Equity Fund	7.8	0.1	8.5	0.1

December 31, 2014

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.3	–
Phillips, Hager & North High Yield Bond Fund	9.2	–
Phillips, Hager & North Long Inflation-linked Bond Fund	36.2	15.0
Phillips, Hager & North Canadian Equity Value Fund	7.3	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	7.2	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	16.7	0.1
RBC International Equity Fund	8.8	0.3
Phillips, Hager & North Overseas Equity Fund	8.6	–

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series D		
Opening units	210	102
Issued number of units	53	117
Reinvested number of units	13	8
Redeemed number of units	(28)	(17)
Ending number of units	248	210
Series O		
Opening units	569	250
Issued number of units	384	338
Reinvested number of units	59	29
Redeemed number of units	(58)	(48)
Ending number of units	954	569

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	8 476	3 824
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	8 476	3 824
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		344
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		344

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2035 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
10 156	Vanguard Real Estate Investment Trust Fund	\$ 709	\$ 956	
TOTAL UNITED STATES EQUITIES		709	956	5.2
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
7 996	Phillips, Hager & North Canadian Money Market Fund*	\$ 80	\$ 80	
133 030	Phillips, Hager & North High Yield Bond Fund*	1 564	1 520	
533 788	Phillips, Hager & North Long Inflation-linked Bond Fund*	6 022	6 205	
108 989	Phillips, Hager & North Canadian Equity Value Fund*	1 378	1 459	
133 091	Phillips, Hager & North Canadian Equity Underlying Fund*	1 435	1 472	
223 502	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	3 080	3 388	
141 120	Phillips, Hager & North Overseas Equity Fund*	1 482	1 635	
96 972	RBC International Equity Fund*	1 433	1 640	
TOTAL MUTUAL FUND UNITS		16 474	17 399	94.3
SHORT-TERM INVESTMENTS†		253	253	1.4
TOTAL INVESTMENTS		\$ 17 436	18 608	100.9
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(167)	(0.9)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 18 441	100.0	

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.00% and mature on January 2, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 18 608	\$ 10 857	\$ 5 320
Cash	19	64	46
Due from investment dealers	–	–	10
Subscriptions receivable	23	176	134
TOTAL ASSETS	18 650	11 097	5 510
LIABILITIES			
Due to investment dealers	150	166	143
Redemptions payable	28	–	10
Distributions payable	25	17	13
Accounts payable and accrued expenses	6	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
	209	186	168
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")			
	\$ 18 441	\$ 10 911	\$ 5 342
Investments at cost	\$ 17 436	\$ 10 567	\$ 5 248
NAV			
SERIES D	\$ 4 286	\$ 3 222	\$ 2 147
SERIES O	\$ 14 155	\$ 7 689	\$ 3 195
NAV PER UNIT			
SERIES D	\$ 12.13	\$ 11.19	\$ 10.84
SERIES O	\$ 12.05	\$ 11.13	\$ 10.78

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 31	\$ 18
Other income received from underlying funds	435	197
Capital gains received from underlying funds	613	196
Net realized gain (loss) on investments	126	83
Change in unrealized gain (loss) on investments	882	218
TOTAL INCOME (LOSS)	2 087	712
EXPENSES (see notes – Fund Specific Information)		
Management fees	37	28
Administration fees	7	3
Board of Governors costs	3	3
GST/HST	4	3
Withholding tax	5	3
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	53	37
INCREASE (DECREASE) IN NAV	\$ 2 034	\$ 675
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 501	\$ 201
SERIES O	\$ 1 533	\$ 474
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.61	\$ 0.86
SERIES O	\$ 1.72	\$ 0.96

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 2 034	\$ 675
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(126)	(83)
Change in unrealized loss (gain) on investments	(882)	(218)
(Increase) decrease in accrued receivables	–	10
Increase (decrease) in accrued payables	(13)	24
Cost of investments purchased	(12 563)	(6 631)
Proceeds on sales of investments	5 820	1 395
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5 730)	(4 828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	7 040	5 712
Cash paid on redemption of redeemable units	(1 338)	(852)
Distributions paid to holders of redeemable units	(17)	(14)
NET CASH USED IN FINANCING ACTIVITIES	\$ 5 685	\$ 4 846
Net increase (decrease) in cash for the year	(45)	18
Cash (bank overdraft), beginning of period	64	46
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 19	\$ 64
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 26	\$ 15

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

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

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 222	\$ 2 147	\$ 7 689	\$ 3 195	\$ 10 911	\$ 5 342
INCREASE (DECREASE) IN NAV	501	201	1 533	474	2 034	675
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	843	1 182	6 044	4 572	6 887	5 754
Reinvestments of distributions to holders of redeemable units	215	117	937	400	1 152	517
Redemption of redeemable units	(256)	(290)	(1 110)	(552)	(1 366)	(842)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	802	1 009	5 871	4 420	6 673	5 429
Distributions from net income	(61)	(43)	(357)	(178)	(418)	(221)
Distributions from net gains	(178)	(92)	(581)	(222)	(759)	(314)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(239)	(135)	(938)	(400)	(1 177)	(535)
NET INCREASE (DECREASE) IN NAV	1 064	1 075	6 466	4 494	7 530	5 569
NAV AT END OF PERIOD	\$ 4 286	\$ 3 222	\$ 14 155	\$ 7 689	\$ 18 441	\$ 10 911

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

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2035.

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

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

Credit risk (%)

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

Concentration risk (%)

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

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Bonds	39.7	38.0	39.0
United States Equities	23.2	23.4	23.1
Overseas Equities	17.5	18.9	19.0
Canadian Equities	15.3	15.8	15.7
Cash/Other	4.3	3.9	3.2

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 8.1% (December 31, 2013 – 7.8%, January 1, 2013 – 8.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.4% (December 31, 2013 – 0.4%, January 1, 2013 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.4
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.4	+ or - 0.4	+ or - 0.4

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

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	956	–	–	956
Mutual fund units	17 399	–	–	17 399
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	253	–	253
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	18 355	253	–	18 608
% of total portfolio	98.6	1.4	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	509	–	–	509
Mutual fund units	10 348	–	–	10 348
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	10 857	–	–	10 857
% of total portfolio	100.0	–	–	100.0

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	265	–	–	265
Mutual fund units	5 055	–	–	5 055
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	5 320	–	–	5 320
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

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

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

Series D	1.00%
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Subsequent event

Effective January 1, 2015, the management fee for Series D units has been reduced to 0.95% from 1.00%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

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

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

	December 31 2014	December 31 2013
Units held		
Series D	57	54
Series O	49	46
Value of all units	1	1

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.4	–	0.4	–
Phillips, Hager & North High Yield Bond Fund	8.2	–	8.0	–
Phillips, Hager & North Long Inflation-linked Bond Fund	33.6	18.0	31.2	17.9
Phillips, Hager & North Canadian Equity Value Fund	7.9	0.2	8.2	0.2
Phillips, Hager & North Canadian Equity Underlying Fund	8.0	0.1	8.3	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	18.4	0.2	19.2	0.1
RBC International Equity Fund	8.9	0.6	9.7	0.6
Phillips, Hager & North Overseas Equity Fund	8.9	0.2	9.7	0.1

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

December 31, 2014

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.3	–
Phillips, Hager & North High Yield Bond Fund	8.0	–
Phillips, Hager & North Long Inflation-linked Bond Fund	31.5	18.3
Phillips, Hager & North Canadian Equity Value Fund	8.2	0.2
Phillips, Hager & North Canadian Equity Underlying Fund	8.2	0.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	18.8	0.1
RBC International Equity Fund	9.9	0.5
Phillips, Hager & North Overseas Equity Fund	9.7	0.1

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

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

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

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series D		
Opening units	288	198
Issued number of units	68	106
Reinvested number of units	18	10
Redeemed number of units	(21)	(26)
Ending number of units	353	288
Series O		
Opening units	691	296
Issued number of units	497	408
Reinvested number of units	78	36
Redeemed number of units	(92)	(49)
Ending number of units	1 174	691

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	10 911	5 342
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	10 911	5 342
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		675
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		675

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

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2040 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
8 991	Vanguard Real Estate Investment Trust Fund	\$ 631	\$ 846	
TOTAL UNITED STATES EQUITIES		631	846	5.2
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
7 150	Phillips, Hager & North Canadian Money Market Fund*	\$ 72	\$ 72	
100 763	Phillips, Hager & North High Yield Bond Fund*	1 182	1 152	
401 006	Phillips, Hager & North Long Inflation-linked Bond Fund*	4 466	4 662	
107 030	Phillips, Hager & North Canadian Equity Value Fund*	1 363	1 432	
129 772	Phillips, Hager & North Canadian Equity Underlying Fund*	1 412	1 435	
214 549	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	2 974	3 252	
139 351	Phillips, Hager & North Overseas Equity Fund*	1 483	1 614	
95 909	RBC International Equity Fund*	1 434	1 622	
TOTAL MUTUAL FUND UNITS		14 386	15 241	93.8
SHORT-TERM INVESTMENTS†		179	179	1.1
TOTAL INVESTMENTS		\$ 15 196	16 266	100.1
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(23)	(0.1)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 16 243		100.0

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.00% and mature on January 2, 2015.

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

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 16 266	\$ 9 330	\$ 3 796
Cash	13	64	25
Due from investment dealers	–	–	7
Subscriptions receivable	44	186	111
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	16 323	9 580	3 940
LIABILITIES			
Due to investment dealers	75	170	115
Redemptions payable	–	–	3
Distributions payable	3	–	–
Accounts payable and accrued expenses	2	1	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	80	171	119
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 16 243	\$ 9 409	\$ 3 821
Investments at cost	\$ 15 196	\$ 8 916	\$ 3 737
NAV			
SERIES D	\$ 1 687	\$ 1 232	\$ 501
SERIES O	\$ 14 556	\$ 8 177	\$ 3 320
NAV PER UNIT			
SERIES D	\$ 12.14	\$ 11.29	\$ 10.60
SERIES O	\$ 12.06	\$ 11.22	\$ 10.53

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

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 27	\$ 15
Other income received from underlying funds	374	163
Capital gains received from underlying funds	596	189
Net realized gain (loss) on investments	153	75
Net gain (loss) on foreign currencies and other net assets	–	1
Change in unrealized gain (loss) on investments	656	355
TOTAL INCOME (LOSS)	1 806	798
EXPENSES (see notes – Fund Specific Information)		
Management fees	17	10
Administration fees	6	4
Board of Governors costs	3	3
GST/HST	2	1
Withholding tax	4	2
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	29	17
INCREASE (DECREASE) IN NAV	\$ 1 777	\$ 781
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 207	\$ 96
SERIES O	\$ 1 570	\$ 685
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.58	\$ 1.22
SERIES O	\$ 1.72	\$ 1.35

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

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 777	\$ 781
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(153)	(75)
Change in unrealized loss (gain) on investments	(656)	(355)
(Increase) decrease in accrued receivables	–	8
Increase (decrease) in accrued payables	(94)	55
Cost of investments purchased	(10 350)	(6 261)
Proceeds on sales of investments	4 223	1 157
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5 253)	(4 690)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	6 513	5 456
Cash paid on redemption of redeemable units	(1 310)	(726)
Distributions paid to holders of redeemable units	(1)	(1)
NET CASH USED IN FINANCING ACTIVITIES	\$ 5 202	\$ 4 729
Net increase (decrease) in cash for the year	(51)	39
Cash (bank overdraft), beginning of period	64	25
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 13	\$ 64
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 23	\$ 13

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 232	\$ 501	\$ 8 177	\$ 3 320	\$ 9 409	\$ 3 821
INCREASE (DECREASE) IN NAV	207	96	1 570	685	1 777	781
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	692	827	5 679	4 704	6 371	5 531
Reinvestments of distributions to holders of redeemable units	100	52	1 037	434	1 137	486
Redemption of redeemable units	(442)	(192)	(868)	(531)	(1 310)	(723)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	350	687	5 848	4 607	6 198	5 294
Distributions from net income	(22)	(22)	(357)	(187)	(379)	(209)
Distributions from net gains	(80)	(30)	(682)	(248)	(762)	(278)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(102)	(52)	(1 039)	(435)	(1 141)	(487)
NET INCREASE (DECREASE) IN NAV	455	731	6 379	4 857	6 834	5 588
NAV AT END OF PERIOD	\$ 1 687	\$ 1 232	\$ 14 556	\$ 8 177	\$ 16 243	\$ 9 409

The accompanying notes are an integral part of these financial statements.

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2040.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Concentration risk (%)

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
Bonds	33.9	30.4	29.0
United States Equities	24.9	26.1	26.6
Overseas Equities	19.6	21.5	22.4
Canadian Equities	17.0	17.9	18.6
Cash/Other	4.6	4.1	3.4

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 7.0% (December 31, 2013 – 6.2%, January 1, 2013 – 6.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.5% (December 31, 2013 – 0.4%, January 1, 2013 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.5	+ or - 0.5
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.5	+ or - 0.5	+ or - 0.5

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	846	–	–	846
Mutual fund units	15 241	–	–	15 241
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	179	–	179
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	16 087	179	–	16 266
% of total portfolio	98.9	1.1	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	455	–	–	455
Mutual fund units	8 875	–	–	8 875
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	9 330	–	–	9 330
% of total portfolio	100.0	–	–	100.0

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	194	–	–	194
Mutual fund units	3 602	–	–	3 602
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 796	–	–	3 796
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	1.05%
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Subsequent event

Effective January 1, 2015, the management fee for Series D units has been reduced to 1.00% from 1.05%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2014	December 31 2013
Units held		
Series D	57	54
Series O	49	45
Value of all units	1	1

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.5	–	0.4	–
Phillips, Hager & North High Yield Bond Fund	7.1	–	6.4	–
Phillips, Hager & North Long Inflation-linked Bond Fund	28.7	13.5	25.1	12.4
Phillips, Hager & North Canadian Equity Value Fund	8.8	0.2	9.3	0.2
Phillips, Hager & North Canadian Equity Underlying Fund	8.8	0.1	9.4	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	20.0	0.1	21.7	0.1
RBC International Equity Fund	10.0	0.6	11.0	0.6
Phillips, Hager & North Overseas Equity Fund	9.9	0.2	11.1	0.1

Please see the generic notes at the back of the financial statements.

December 31, 2014

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.4	–
Phillips, Hager & North High Yield Bond Fund	6.0	–
Phillips, Hager & North Long Inflation-linked Bond Fund	23.4	9.7
Phillips, Hager & North Canadian Equity Value Fund	9.7	0.1
Phillips, Hager & North Canadian Equity Underlying Fund	9.6	0.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	22.2	0.1
RBC International Equity Fund	11.7	0.4
Phillips, Hager & North Overseas Equity Fund	11.4	–

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series D		
Opening units	109	47
Issued number of units	57	74
Reinvested number of units	8	5
Redeemed number of units	(35)	(17)
Ending number of units	139	109
Series O		
Opening units	729	315
Issued number of units	463	422
Reinvested number of units	86	39
Redeemed number of units	(72)	(47)
Ending number of units	1 206	729

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	9 409	3 821
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	9 409	3 821
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		781
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		781

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2045 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
15 759	Vanguard Real Estate Investment Trust Fund	\$ 1 138	\$ 1 483	
TOTAL UNITED STATES EQUITIES		1 138	1 483	4.9
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
12 810	Phillips, Hager & North Canadian Money Market Fund*	\$ 128	\$ 128	
123 758	Phillips, Hager & North High Yield Bond Fund*	1 456	1 414	
514 713	Phillips, Hager & North Long Inflation-linked Bond Fund*	5 759	5 984	
241 838	Phillips, Hager & North Canadian Equity Value Fund*	3 129	3 237	
295 941	Phillips, Hager & North Canadian Equity Underlying Fund*	3 279	3 274	
485 363	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	6 885	7 357	
315 710	Phillips, Hager & North Overseas Equity Fund*	3 422	3 657	
215 898	RBC International Equity Fund*	3 330	3 651	
TOTAL MUTUAL FUND UNITS		27 388	28 702	94.1
SHORT-TERM INVESTMENTS†		639	639	2.1
TOTAL INVESTMENTS		\$ 29 165	30 824	101.1
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 30 501		100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.00% and mature on January 2, 2015.

The accompanying notes are an integral part of the financial statements.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 30 824	\$ 15 241	\$ 4 268
Cash	28	88	30
Due from investment dealers	–	111	7
Subscriptions receivable	72	414	239
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	30 924	15 854	4 545
LIABILITIES			
Due to investment dealers	400	385	240
Redemptions payable	14	122	5
Distributions payable	5	–	–
Accounts payable and accrued expenses	4	4	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	423	511	246
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 30 501	\$ 15 343	\$ 4 299
Investments at cost	\$ 29 165	\$ 14 419	\$ 4 240
NAV			
SERIES D	\$ 1 956	\$ 1 468	\$ 425
SERIES O	\$ 28 545	\$ 13 875	\$ 3 874
NAV PER UNIT			
SERIES D	\$ 12.38	\$ 11.59	\$ 10.50
SERIES O	\$ 12.31	\$ 11.53	\$ 10.43

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 48	\$ 22
Interest for distribution purposes	1	–
Other income received from underlying funds	657	260
Capital gains received from underlying funds	1 327	362
Net realized gain (loss) on investments	211	116
Net gain (loss) on foreign currencies and other net assets	2	–
Change in unrealized gain (loss) on investments	837	794
TOTAL INCOME (LOSS)	3 083	1 554
EXPENSES (see notes – Fund Specific Information)		
Management fees	20	12
Administration fees	13	6
Board of Governors costs	3	3
GST/HST	3	2
Withholding tax	7	3
Expenses reimbursed by manager	(3)	(3)
TOTAL EXPENSES	43	23
INCREASE (DECREASE) IN NAV	\$ 3 040	\$ 1 531
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 232	\$ 150
SERIES O	\$ 2 808	\$ 1 381
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.60	\$ 1.76
SERIES O	\$ 1.71	\$ 1.84

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 3 040	\$ 1 531
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(211)	(116)
Change in unrealized loss (gain) on investments	(837)	(794)
(Increase) decrease in accrued receivables	111	(103)
Increase (decrease) in accrued payables	15	148
Cost of investments purchased	(37 623)	(11 788)
Proceeds on sales of investments	23 088	1 725
NET CASH PROVIDED BY OPERATING ACTIVITIES	(12 417)	(9 397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	14 981	10 566
Cash paid on redemption of redeemable units	(2 625)	(1 111)
Distributions paid to holders of redeemable units	1	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 12 357	\$ 9 455
Net increase (decrease) in cash for the year	(60)	58
Cash (bank overdraft), beginning of period	88	30
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 28	\$ 88
Interest received	\$ 1	\$ –
Dividends received, net of withholding taxes	\$ 41	\$ 19

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 468	\$ 425	\$ 13 875	\$ 3 874	\$ 15 343	\$ 4 299
INCREASE (DECREASE) IN NAV	232	150	2 808	1 381	3 040	1 531
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	926	969	13 713	9 772	14 639	10 741
Reinvestments of distributions to holders of redeemable units	121	65	2 112	775	2 233	840
Redemption of redeemable units	(670)	(76)	(1 847)	(1 152)	(2 517)	(1 228)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	377	958	13 978	9 395	14 355	10 353
Distributions from net income	(21)	(32)	(655)	(323)	(676)	(355)
Distributions from net gains	(100)	(33)	(1 461)	(452)	(1 561)	(485)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(121)	(65)	(2 116)	(775)	(2 237)	(840)
NET INCREASE (DECREASE) IN NAV	488	1 043	14 670	10 001	15 158	11 044
NAV AT END OF PERIOD	\$ 1 956	\$ 1 468	\$ 28 545	\$ 13 875	\$ 30 501	\$ 15 343

The accompanying notes are an integral part of these financial statements.

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2045.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Concentration risk (%)

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

	December 31 2014	December 31 2013	January 1 2013
Investment mix			
United States Equities	28.5	29.4	29.5
Overseas Equities	23.6	24.7	25.5
Bonds	23.0	21.3	20.3
Canadian Equities	20.6	20.7	21.1
Cash/Other	4.3	3.9	3.6

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 4.7% (December 31, 2013 – 4.4%, January 1, 2013 – 4.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.5% (December 31, 2013 – 0.5%, January 1, 2013 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.6	+ or - 0.6	+ or - 0.5
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.5	+ or - 0.6	+ or - 0.5

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	1 483	–	–	1 483
Mutual fund units	28 702	–	–	28 702
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	639	–	639
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	30 185	639	–	30 824
% of total portfolio	97.9	2.1	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	724	–	–	724
Mutual fund units	14 517	–	–	14 517
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	15 241	–	–	15 241
% of total portfolio	100.0	–	–	100.0

December 31, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	216	–	–	216
Mutual fund units	4 052	–	–	4 052
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	4 268	–	–	4 268
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	1.10%
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Subsequent event

Effective January 1, 2015, the management fee for Series D units has been reduced to 1.05% from 1.10%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2014	December 31 2013
Units held		
Series D	58	54
Series O	48	44
Value of all units	1	1

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.5	–	0.4	–
Phillips, Hager & North High Yield Bond Fund	4.6	–	4.4	–
Phillips, Hager & North Long Inflation-linked Bond Fund	19.6	17.4	17.5	14.1
Phillips, Hager & North Canadian Equity Value Fund	10.6	0.4	10.7	0.3
Phillips, Hager & North Canadian Equity Underlying Fund	10.7	0.1	10.8	0.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	24.1	0.3	25.3	0.3
RBC International Equity Fund	12.0	1.4	12.7	1.1
Phillips, Hager & North Overseas Equity Fund	12.0	0.5	12.7	0.2

Please see the generic notes at the back of the financial statements.

December 31, 2014

	January 1, 2013	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.3	–
Phillips, Hager & North High Yield Bond Fund	4.2	–
Phillips, Hager & North Long Inflation-linked Bond Fund	16.4	7.7
Phillips, Hager & North Canadian Equity Value Fund	11.0	0.2
Phillips, Hager & North Canadian Equity Underlying Fund	10.9	0.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	25.3	0.1
RBC International Equity Fund	13.2	0.6
Phillips, Hager & North Overseas Equity Fund	13.0	0.1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series D		
Opening units	127	41
Issued number of units	74	87
Reinvested number of units	10	6
Redeemed number of units	(53)	(7)
Ending number of units	158	127
Series O		
Opening units	1 203	370
Issued number of units	1 093	867
Reinvested number of units	172	67
Redeemed number of units	(148)	(101)
Ending number of units	2 320	1 203

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	15 343	4 299
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	15 343	4 299
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		1 531
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		1 531

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2050 FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
105	Vanguard Real Estate Investment Trust Fund	\$ 9	\$ 10	
TOTAL UNITED STATES EQUITIES		9	10	5.2
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
75	Phillips, Hager & North Canadian Money Market Fund*	\$ 1	\$ 1	
678	Phillips, Hager & North High Yield Bond Fund*	8	8	
2 555	Phillips, Hager & North Long Inflation-linked Bond Fund*	30	30	
1 634	Phillips, Hager & North Canadian Equity Value Fund*	23	22	
1 953	Phillips, Hager & North Canadian Equity Underlying Fund*	24	22	
3 287	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	50	49	
2 122	Phillips, Hager & North Overseas Equity Fund*	25	24	
1 440	RBC International Equity Fund*	24	24	
TOTAL MUTUAL FUND UNITS		185	180	93.8
TOTAL INVESTMENTS		\$ 194	190	99.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				1.0
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				\$ 192 100.0

* Investment in related party (see note 7 in the generic notes).

The accompanying notes are an integral part of the financial statements.

Statement of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31
	2014
ASSETS	
Investments at fair value	\$ 190
Cash	2
TOTAL ASSETS	192
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	
	–
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	
	\$ 192
Investments at cost	\$ 194
NAV	
SERIES D	\$ 35
SERIES O	\$ 157
NAV PER UNIT	
SERIES D	\$ 9.88
SERIES O	\$ 9.79

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income*(in \$000s except per unit amounts)*

For the period ended December 31 (see note 2 in the generic notes)*	2014
INCOME (see note 3 in the generic notes)	
Other income received from underlying funds	\$ 4
Capital gains received from underlying funds	9
Change in unrealized gain (loss) on investments	(4)
TOTAL INCOME (LOSS)	9
EXPENSES (see notes – Fund Specific Information)	
Board of Governors costs	3
Expenses reimbursed by manager	(3)
TOTAL EXPENSES	–
INCREASE (DECREASE) IN NAV	\$ 9
INCREASE (DECREASE) IN NAV	
SERIES D	\$ 1
SERIES O	\$ 8
INCREASE (DECREASE) IN NAV	
PER REDEEMABLE UNIT	
SERIES D	\$ 0.22
SERIES O	\$ 0.31

* Fund launched June 2014.

Statement of Cash Flow *(in \$000s)*

For the period ended December 31

*(see note 2 in the generic notes)**

2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in NAV	\$ 9
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS	
Net realized loss (gain) on investments	–
Change in unrealized loss (gain) on investments	4
(Increase) decrease in accrued receivables	–
Increase (decrease) in accrued payables	–
Cost of investments purchased	(346)
Proceeds on sales of investments	152
NET CASH PROVIDED BY OPERATING ACTIVITIES	(181)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of redeemable units	183
Cash paid on redemption of redeemable units	–
Distributions paid to holders of redeemable units	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 183
Net increase (decrease) in cash for the year	2
Cash (bank overdraft), beginning of period	–
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2
Interest received	\$ –
Dividends received, net of withholding taxes	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

* Fund launched June 2014.

Statement of Changes in NAV (in \$000s)

For the period ended December 31 (see note 2 in the generic notes)*	Series D 2014	Series O 2014	Total 2014
NAV AT BEGINNING OF PERIOD	\$ —	\$ —	\$ —
INCREASE (DECREASE) IN NAV	1	8	9
Early redemption fees	—	—	—
Proceeds from redeemable units issued	34	149	183
Reinvestments of distributions to holders of redeemable units	2	11	13
Redemption of redeemable units	—	—	—
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	36	160	196
Distributions from net income	(2)	(11)	(13)
Distributions from net gains	—	—	—
Distributions from capital	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2)	(11)	(13)
NET INCREASE (DECREASE) IN NAV	35	157	192
NAV AT END OF PERIOD	\$ 35	\$ 157	\$ 192

* Fund launched June 2014.

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2050.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Concentration risk (%)

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

	December 31 2014
Investment mix	
United States Equities	30.7
Overseas Equities	25.1
Canadian Equities	21.9
Bonds	18.5
Cash/Other	3.8

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 3.8%. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.6%. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 6-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014
S&P/TSX Capped Composite	
Total Return Index	+ or - 0.3
MSCI EAFE Total Return	
Net Index (CAD)	+ or - 0.5

Due to the fact that the Fund was in existence for less than six months prior to December 31, 2013, no comparative disclosure is provided because there is insufficient data, and any resulting calculation of the impact on net assets of the Fund using historical correlation between the Fund's return and a broad-based index could be materially misleading.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	10	-	-	10
Mutual fund units	180	-	-	180
Fixed-income and debt securities	-	-	-	-
Short-term investments	-	-	-	-
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-	-	-
Total financial instruments	190	-	-	190
% of total portfolio	100.0	-	-	100.0

For the period ended December 31, 2014, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	1.10%
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December 31, 2014

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2014
Units held	
Series D	106
Series O	15 972
Value of all units	157

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014	
	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	0.4	–
Phillips, Hager & North High Yield Bond Fund	3.9	–
Phillips, Hager & North Long Inflation-linked Bond Fund	15.4	0.1
Phillips, Hager & North Canadian Equity Value Fund	11.3	–
Phillips, Hager & North Canadian Equity Underlying Fund	11.3	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	26.0	–
RBC International Equity Fund	12.7	–
Phillips, Hager & North Overseas Equity Fund	12.8	–

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the period ended December 31
(see note 2 in the generic notes) 2014

Series D	
Opening units	–
Issued number of units	4
Reinvested number of units	–
Redeemed number of units	–
Ending number of units	4
Series O	
Opening units	–
Issued number of units	15
Reinvested number of units	1
Redeemed number of units	–
Ending number of units	16

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

BONAVISTA GLOBAL BALANCED FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
100	AutoCanada Inc.	\$ 5	\$ 4	
260	Canadian Tire Corp. Ltd., Class A	17	32	
510	Gildan Activewear Inc., Class A	6	34	
430	Magna International Inc., Class A	14	54	
890	Quebecor Inc., Class B	14	28	
		56	152	3.6
Consumer Staples				
950	Alimentation Couche-Tard Inc.	25	46	
347	Loblaw Companies Ltd.	17	22	
790	Saputo Group Inc.	9	28	
		51	96	2.3
Energy				
297	Baytex Energy Corp.	13	7	
1 420	Canadian Natural Resources Ltd.	49	52	
900	Cenovus Energy Inc.	27	22	
830	Encana Corp.	28	13	
1 800	Gran Tierra Energy Inc.	14	8	
800	Husky Energy Inc.	31	22	
400	MEG Energy Corp.	9	8	
1 100	Precision Drilling Corp.	7	8	
2 360	Suncor Energy Inc.	90	87	
400	Trilogy Energy Corp.	10	3	
		278	230	5.4
Financials				
885	Bank of Montreal	50	73	
1 315	Bank of Nova Scotia	66	87	
900	Canadian Imperial Bank of Commerce	72	90	
800	Element Financial Corp.	10	11	
400	Genworth MI Canada Inc.	15	15	
680	Home Capital Group Inc.	20	33	
365	IGM Financial Inc.	16	17	
200	Intact Financial Corp.	12	17	
2 060	Manulife Financial Corporation	53	46	
710	National Bank of Canada	14	35	
870	Royal Bank of Canada*	48	70	
730	Sun Life Financial Inc.	30	31	
2 040	Toronto-Dominion Bank	74	113	
		480	638	15.0
Health Care				
200	Valeant Pharmaceuticals International Inc.	23	33	
		23	33	0.8

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
2 600	Bombardier Inc., Class B	\$ 14	\$ 11	
1 100	CAE Inc.	12	17	
900	Canadian National Railway Co.	35	72	
190	Canadian Pacific Railway Ltd.	10	43	
660	Finning International Inc.	18	17	
276	MacDonald Dettwiler & Associates Ltd.	16	26	
300	Russel Metals Inc.	9	8	
440	SNC-Lavalin Group Inc.	17	19	
400	Stantec Inc.	13	13	
		144	226	5.3
Information Technology				
890	Blackberry Ltd.	58	11	
500	CGI Group Inc., Class A	17	22	
2 916	Mitel Networks Corp.	28	36	
680	Open Text Corp.	10	46	
		113	115	2.7
Materials				
350	Agrium Inc.	21	39	
978	First Quantum Minerals Ltd.	16	16	
465	Goldcorp Inc.	14	10	
1 100	HudBay Minerals Inc.	10	11	
1 600	Lundin Mining Corp.	7	9	
250	Methanex Corp.	6	13	
380	Potash Corporation of Saskatchewan Inc.	16	16	
1 556	Teck Resources Ltd., Class B	48	25	
100	West Fraser Timber Co. Ltd.	5	7	
1 100	Yamana Gold Inc.	13	5	
		156	151	3.5
Telecommunication Services				
450	Rogers Communications Inc., Class B	18	20	
500	TELUS Corp.	19	21	
		37	41	1.0
TOTAL CANADIAN EQUITIES		1 338	1 682	39.6
UNITED STATES EQUITIES				
Consumer Discretionary				
330	Johnson Controls Inc.	11	19	
110	McDonald's Corp.	6	12	
		17	31	0.7
Consumer Staples				
200	Archer Daniels Midland Co.	9	12	
150	PepsiCo Inc.	10	16	
90	Procter & Gamble Co.	6	10	
180	Wal-Mart Stores, Inc.	9	18	
100	Walgreens Boots Alliance Inc.	4	9	
		38	65	1.5

The accompanying notes are an integral part of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
BONAVISTA GLOBAL BALANCED FUND

PHILLIPS, HAGER & NORTH
 Investment Management®

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy				
150	Apache Corp.	\$ 14	\$ 11	
130	Chevron Corp.	18	17	
90	ConocoPhillips	8	7	
280	Nabors Industries Ltd.	7	4	
240	Noble Corporation plc	8	5	
80	Paragon Offshore Plc.	1	–	
100	Transocean Ltd.	10	2	
195	Valero Energy Corp.	8	11	
		<u>74</u>	<u>57</u>	<u>1.3</u>
Financials				
230	Aflac Inc.	11	16	
900	Bank of America Corp.	15	19	
110	Berkshire Hathaway Inc., Class B	9	19	
355	JPMorgan Chase & Co.	16	26	
130	MetLife Inc.	7	8	
100	Oaktree Capital Group LLC, Class A	6	6	
400	The Nasdaq Stock Market Inc.	18	22	
570	Wells Fargo & Company	17	36	
		<u>99</u>	<u>152</u>	<u>3.6</u>
Health Care				
140	Becton Dickinson & Co.	13	23	
230	Johnson & Johnson	15	28	
350	Pfizer Inc.	9	13	
150	Varian Medical Systems Inc.	14	15	
100	Waters Corp.	13	13	
		<u>64</u>	<u>92</u>	<u>2.2</u>
Industrials				
100	Emerson Electric Co.	7	7	
150	Heartland Express Inc.	4	5	
90	Illinois Tool Works Inc.	5	10	
100	Raytheon Company	11	13	
129	Stanley Black & Decker Inc.	8	14	
270	Union Pacific Corp.	16	37	
100	United Technologies Corp.	13	13	
		<u>64</u>	<u>99</u>	<u>2.3</u>

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
670	Cisco Systems Inc.	\$ 16	\$ 22	
20	Google Inc., Class A	11	12	
20	Google Inc., Class C	–	12	
270	Intel Corp.	6	11	
80	International Business Machines	8	15	
460	Microsoft Corp.	12	25	
400	Oracle Corporation	17	21	
60	QUALCOM Inc.	3	5	
		<u>73</u>	<u>123</u>	<u>2.9</u>
Materials				
360	Freeport-McMoRan Inc.	10	10	
130	Nucor Corp.	7	7	
210	The Mosaic Co.	14	11	
		<u>31</u>	<u>28</u>	<u>0.7</u>
TOTAL UNITED STATES EQUITIES		<u>460</u>	<u>647</u>	<u>15.2</u>
TOTAL EQUITIES		<u>1 798</u>	<u>2 329</u>	<u>54.8</u>
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
50 115	Phillips, Hager & North Overseas Equity Fund*	\$ 541	\$ 581	
TOTAL MUTUAL FUND UNITS		<u>541</u>	<u>581</u>	<u>13.7</u>

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
10	Bank of Nova Scotia	2.873	04-Jun-21	\$ 10	\$ 10	
5	BMW Canada Inc.	2.330	23-May-18	5	5	
15	Canadian National Railway Co.	2.750	18-Feb-21	15	15	
20	Canadian Natural Resources Ltd.	2.890	14-Aug-20	20	20	
10	Canadian Pacific Railway Ltd.	5.100	14-Jan-22	11	12	
15	Canadian Western Bank	3.077	14-Jan-19	15	15	
5	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	5	5	
20	CU Inc.	4.801	22-Nov-21	23	23	
15	Dollarama Inc.	3.095	05-Nov-18	15	15	
15	Enbridge Income Fund Holdings Inc.	4.850	22-Feb-22	15	17	
10	Ford Credit Canada Ltd.	2.939	19-Feb-19	10	10	
20	GE Capital Canada Funding Co.	2.420	31-May-18	20	20	
15	John Deere Canada Funding Inc.	2.350	24-Jun-19	15	15	

The accompanying notes are an integral part of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
BONAVISTA GLOBAL BALANCED FUND

PHILLIPS, HAGER & NORTH
Investment Management®

December 31, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
45	Laurentian Bank of Canada	3.278	15-Oct-18	\$ 45	\$ 47	
10	National Bank of Canada	2.404	28-Oct-19	10	10	
5	North West Redwater Partnership	4.050	22-Jul-44	5	5	
15	Saputo Inc.	2.654	26-Nov-19	15	15	
25	Shoppers Drug Mart Corp.	2.360	24-May-18	25	25	
10	Toronto-Dominion Bank	2.433	15-Aug-17	10	10	
10	VW Credit Canada Inc.	2.500	01-Oct-19	10	10	
				299	304	7.2
FEDERAL						
65	Canada Housing Trust No. 1	2.000	15-Dec-19	65	66	
25	Canada Housing Trust No. 1	2.900	15-Jun-24	25	26	
45	Government of Canada	1.250	01-Feb-16	45	45	
70	Government of Canada	1.000	01-Aug-16	70	70	
35	Government of Canada	1.500	01-Sep-17	35	35	
40	Government of Canada	3.750	01-Jun-19	44	44	
165	Government of Canada	2.500	01-Jun-24	174	175	
50	Government of Canada	5.000	01-Jun-37	69	73	
45	Government of Canada	4.000	01-Jun-41	53	60	
30	Government of Canada	3.500	01-Dec-45	35	38	
5	Labrador-Island Link Funding Trust	3.760	01-Jun-33	5	6	
				620	638	15.0
PROVINCIAL/MUNICIPAL						
10	Municipal Finance Authority of British Columbia	2.350	03-Dec-18	10	10	
80	Municipal Finance Authority of British Columbia	3.750	26-Sep-23	83	88	
25	Province of Alberta	3.400	01-Dec-23	25	27	
25	Province of British Columbia	2.850	18-Jun-25	25	26	
35	Province of Manitoba	3.300	02-Jun-24	35	37	
30	Province of Ontario	2.100	08-Sep-19	30	30	
5	Province of Ontario	3.500	02-Jun-43	5	5	
20	Province of Ontario	3.450	02-Jun-45	20	21	
25	Province of Quebec	4.500	01-Dec-17	27	27	
10	Province of Quebec	3.500	01-Dec-45	10	10	
30	Province of Saskatchewan	3.200	03-Jun-24	30	32	
45	Regional Municipality of York	4.050	01-May-34	45	49	
				345	362	8.5
TOTAL BONDS				1 264	1 304	30.7
TOTAL INVESTMENTS				\$ 3 603	4 214	99.2
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					35	0.8
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 4 249	100.0

* Investment in related party (see note 7 in the generic notes).

The accompanying notes are an integral part of the financial statements.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 4 214	\$ 3 268	\$ 3 141
Cash	12	166	43
Due from investment dealers	17	–	3
Dividends receivable, interest accrued and other assets	10	8	11
TOTAL ASSETS	4 253	3 442	3 198
LIABILITIES			
Due to investment dealers	–	39	–
Accounts payable and accrued expenses	4	2	3
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4	41	3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 4 249	\$ 3 401	\$ 3 195
Investments at cost	\$ 3 603	\$ 2 883	\$ 3 106
NAV			
SERIES C	\$ 196	\$ 104	\$ 27
ADVISOR SERIES	\$ 45	\$ 13	\$ 1
SERIES D	\$ 3 714	\$ 3 001	\$ 2 616
SERIES F	\$ 18	\$ 16	\$ 1
SERIES O	\$ 276	\$ 267	\$ 550
NAV PER UNIT			
SERIES C	\$ 13.46	\$ 12.45	\$ 10.95
ADVISOR SERIES	\$ 13.46	\$ 12.46	\$ 10.95
SERIES D	\$ 13.39	\$ 12.37	\$ 10.88
SERIES F	\$ 13.66	\$ 12.60	\$ 11.05
SERIES O	\$ 13.13	\$ 12.12	\$ 10.64

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 57	\$ 51
Interest for distribution purposes	34	26
Other income received from underlying funds	23	13
Net realized gain (loss) on investments	89	48
Change in unrealized gain (loss) on investments	226	350
TOTAL INCOME (LOSS)	429	488
EXPENSES (see notes – Fund Specific Information)		
Management fees	42	28
Administration fees	3	3
Board of Governors costs	3	3
GST/HST	5	3
Transaction costs	1	1
Withholding tax	2	1
Expenses reimbursed by manager	(3)	–
TOTAL EXPENSES	53	39
INCREASE (DECREASE) IN NAV	\$ 376	\$ 449
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 15	\$ 9
ADVISOR SERIES	\$ 3	\$ 1
SERIES D	\$ 330	\$ 391
SERIES F	\$ 2	\$ –
SERIES O	\$ 26	\$ 48
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.00	\$ 1.59
ADVISOR SERIES	\$ 1.00	\$ 1.59
SERIES D	\$ 1.15	\$ 1.68
SERIES F	\$ 1.23	\$ 1.71
SERIES O	\$ 1.28	\$ 1.70

Statements of Cash Flow *(in \$000s)*For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 376	\$ 449
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(89)	(48)
Change in unrealized loss (gain) on investments	(226)	(350)
(Increase) decrease in accrued receivables	(19)	6
Increase (decrease) in accrued payables	(37)	38
Cost of investments purchased	(5 075)	(1 904)
Proceeds on sales of investments	4 444	2 175
NET CASH PROVIDED BY OPERATING ACTIVITIES	(626)	366
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 714	1 042
Cash paid on redemption of redeemable units	(1 240)	(1 283)
Distributions paid to holders of redeemable units	(2)	(2)
NET CASH USED IN FINANCING ACTIVITIES	\$ 472	\$ (243)
Net increase (decrease) in cash for the year	(154)	123
Cash (bank overdraft), beginning of period	166	43
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 12	\$ 166
Interest received	\$ 33	\$ 27
Dividends received, net of withholding taxes	\$ 54	\$ 50

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 104	\$ 27	\$ 13	\$ 1	\$ 3 001	\$ 2 616	\$ 16	\$ 1
INCREASE (DECREASE) IN NAV	15	9	3	1	330	391	2	—
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	351	131	31	19	1 332	628	—	15
Reinvestments of distributions to holders of redeemable units	1	1	—	—	49	42	—	—
Redemption of redeemable units	(274)	(63)	(2)	(8)	(947)	(632)	—	—
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	78	69	29	11	434	38	—	15
Distributions from net income	(1)	(1)	—	—	(51)	(44)	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1)	(1)	—	—	(51)	(44)	—	—
NET INCREASE (DECREASE) IN NAV	92	77	32	12	713	385	2	15
NAV AT END OF PERIOD	\$ 196	\$ 104	\$ 45	\$ 13	\$ 3 714	\$ 3 001	\$ 18	\$ 16

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 267	\$ 550	\$ 3 401	\$ 3 195
INCREASE (DECREASE) IN NAV	26	48	376	449
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	—	249	1 714	1 042
Reinvestments of distributions to holders of redeemable units	6	10	56	53
Redemption of redeemable units	(17)	(580)	(1 240)	(1 283)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(11)	(321)	530	(188)
Distributions from net income	(6)	(10)	(58)	(55)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(6)	(10)	(58)	(55)
NET INCREASE (DECREASE) IN NAV	9	(283)	848	206
NAV AT END OF PERIOD	\$ 276	\$ 267	\$ 4 249	\$ 3 401

The accompanying notes are an integral part of these financial statements.

December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital appreciation and income by primarily investing in a balanced global portfolio of Canadian and foreign equities, fixed-income securities and money market instruments.

Financial instrument risk and capital management (see note 4 in the generic notes)**Liquidity risk (%)**

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.0% (December 31, 2013 – 0.0%, January 1, 2013 – 0.1%) of the net assets of the Fund.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 30.8% (December 31, 2013 – 28.8%, January 1, 2013 – 29.3%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2014	December 31 2013	January 1 2013
AAA	58.4	52.2	45.8
AA	16.3	15.2	17.6
A	17.7	20.7	22.8
BBB	7.6	11.9	13.8
Total	100.0	100.0	100.0

Concentration risk (%)

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

Investment mix	December 31 2014	December 31 2013	January 1 2013
Canadian Equities	39.4	40.1	43.6
Bonds	30.8	28.7	29.3
United States Equities	15.4	13.5	12.5
Overseas Equities	13.4	13.1	12.6
Cash/Other	1.0	4.6	2.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 30.7% (December 31, 2013 – 28.8%, January 1, 2013 – 29.3%) of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	–
1 – 5 years	40.7	46.8	38.0
5 – 10 years	36.9	42.2	29.9
> 10 years	22.4	11.0	32.1
Total	100.0	100.0	100.0

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.4% (December 31, 2013 – 1.8%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2014	December 31 2013	January 1 2013
United States dollar	16.5	13.7	13.4
Euro	3.7	5.1	3.6
Pound sterling	2.3	2.7	2.5
Japanese yen	2.3	2.5	1.6
Swiss franc	2.1	1.6	2.1
Hong Kong dollar	0.5	0.5	1.2
South African rand	0.5	–	–
Singapore dollar	–	–	0.5
Other currencies	0.9	0.5	0.3
Total	28.8	26.6	25.2

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

BONAVISTA GLOBAL BALANCED FUND

December 31, 2014

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.6	+ or - 0.6	+ or - 0.6
S&P 500 Total Return			
Index (CAD)	+ or - 0.5	+ or - 0.6	+ or - 0.7
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.5	+ or - 0.6	+ or - 0.5

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts)*(see note 3 in the generic notes)*

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	2 329	–	–	2 329
Mutual fund units	581	–	–	581
Fixed-income				
and debt securities	–	1 304	–	1 304
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 910	1 304	–	4 214
% of total portfolio	69.1	30.9	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 814	–	–	1 814
Mutual fund units	473	–	–	473
Fixed-income				
and debt securities	–	981	–	981
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 287	981	–	3 268
% of total portfolio	70.0	30.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 785	–	–	1 785
Mutual fund units	420	–	–	420
Fixed-income				
and debt securities	–	936	–	936
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 205	936	–	3 141
% of total portfolio	70.2	29.8	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	2.00%
Advisor Series	2.00%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

BONAVISTA GLOBAL BALANCED FUND

December 31, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2014	December 31 2013
Units held		
Series C	49	49
Advisor Series	95	95
Series D	102	101
Series F	52	51
Series O	55	54
Value of all units	5	4

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of net assets of the Fund ("NAV"), and the Fund's ownership interest as a percentage of the net assets of the underlying funds ("Ownership"). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

	December 31, 2014		December 31, 2013	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Overseas Equity Fund	13.7	0.1	13.9	–
			January 1, 2013	
			NAV	Ownership
Phillips, Hager & North Overseas Equity Fund			13.1	–

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	53
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	8	2
Issued number of units	28	11
Reinvested number of units	–	–
Redeemed number of units	(21)	(5)
Ending number of units	15	8
Advisor Series		
Opening units	1	–
Issued number of units	2	2
Reinvested number of units	–	–
Redeemed number of units	–	(1)
Ending number of units	3	1
Series D		
Opening units	243	241
Issued number of units	103	53
Reinvested number of units	4	4
Redeemed number of units	(73)	(55)
Ending number of units	277	243
Series F		
Opening units	1	–
Issued number of units	–	1
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	1	1
Series O		
Opening units	22	52
Issued number of units	–	22
Reinvested number of units	–	1
Redeemed number of units	(1)	(53)
Ending number of units	21	22

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	1	100	1	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements [†]	–	–	–	–

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Please see the generic notes at the back of the financial statements.

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	3 399	3 192
Revaluation of investments at FVTPL	2	3
Net assets attributable to holders of redeemable units	3 401	3 195
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		450
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(1)
Increase (decrease) in net assets attributable to holders of redeemable units		449

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

BONAVISTA CANADIAN EQUITY VALUE FUND

December 31, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
1 300	AutoCanada Inc.	\$ 58	\$ 58	
3 000	Canadian Tire Corp. Ltd., Class A	300	368	
5 890	Gildan Activewear Inc., Class A	136	387	
4 580	Magna International Inc., Class A	181	577	
9 740	Quebecor Inc., Class B	155	311	
5 800	Thomson Corp.	216	272	
		1 046	1 973	10.2
Consumer Staples				
11 600	Alimentation Couche-Tard Inc.	123	565	
3 346	Loblaw Companies Ltd.	160	208	
9 040	Saputo Group Inc.	112	316	
		395	1 089	5.6
Energy				
3 164	Baytex Energy Corp.	138	61	
15 500	Canadian Natural Resources Ltd.	516	557	
9 310	Cenovus Energy Inc.	271	223	
7 200	Encana Corp.	228	116	
9 100	Gran Tierra Energy Inc.	68	41	
8 600	Husky Energy Inc.	291	237	
3 900	MEG Energy Corp.	121	76	
10 501	Precision Drilling Corp.	145	74	
25 430	Suncor Energy Inc.	935	938	
11 480	Talisman Energy Inc.	198	104	
4 600	Trilogy Energy Corp.	121	36	
		3 032	2 463	12.7
Financials				
10 090	Bank of Montreal	593	829	
14 890	Bank of Nova Scotia	741	987	
10 380	Canadian Imperial Bank of Commerce	832	1 036	
8 600	Element Financial Corp.	106	122	
4 500	Genworth MI Canada Inc.	168	166	
7 960	Home Capital Group Inc.	250	382	
3 800	IGM Financial Inc.	176	176	
1 800	Intact Financial Corp.	112	151	
22 070	Manulife Financial Corporation	591	490	
7 160	National Bank of Canada	179	354	
10 070	Royal Bank of Canada*	549	808	
8 640	Sun Life Financial Inc.	348	362	
22 920	Toronto-Dominion Bank	820	1 272	
		5 465	7 135	36.8
Health Care				
2 400	Valeant Pharmaceuticals International Inc.	310	399	
		310	399	2.1

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
30 200	Bombardier Inc., Class B	\$ 146	\$ 125	
12 730	CAE Inc.	135	192	
10 120	Canadian National Railway Co.	326	810	
1 850	Canadian Pacific Railway Ltd.	167	414	
7 900	Finning International Inc.	217	199	
2 966	MacDonald Dettwiler & Associates Ltd.	148	282	
3 300	Russel Metals Inc.	96	85	
5 000	SNC-Lavalin Group Inc.	199	222	
4 400	Stantec Inc.	143	140	
		1 577	2 469	12.7
Information Technology				
7 000	Blackberry Ltd.	469	89	
5 100	CGI Group Inc., Class A	174	226	
33 416	Mitel Networks Corp.	323	413	
7 140	Open Text Corp.	112	483	
		1 078	1 211	6.3
Materials				
3 570	Agrium Inc.	223	393	
3 500	Barrick Gold Corp.	128	44	
8 582	First Quantum Minerals Ltd.	146	142	
4 375	Goldcorp Inc.	135	94	
9 000	HudBay Minerals Inc.	93	91	
15 900	Lundin Mining Corp.	67	91	
2 600	Methanex Corp.	77	139	
3 530	Potash Corporation of Saskatchewan Inc.	152	145	
16 977	Teck Resources Ltd., Class B	555	270	
1 100	West Fraser Timber Co. Ltd.	53	73	
5 900	Yamana Gold Inc.	68	28	
		1 697	1 510	7.8
Telecommunication Services				
4 580	Rogers Communications Inc., Class B	168	207	
5 300	TELUS Corp.	135	222	
		303	429	2.2
TOTAL CANADIAN EQUITIES		\$ 14 903	18 678	96.4
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			703	3.6
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 19 381	100.0

* Investment in related party (see note 7 in the generic notes).

The accompanying notes are an integral part of the financial statements.

Statements of Financial Position *(in \$000s except per unit amounts)*

<i>(see note 2 and note 8 in the generic notes)</i>	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 18 678	\$ 13 779	\$ 11 896
Cash	672	1 108	178
Subscriptions receivable	–	19	–
Dividends receivable, interest accrued and other assets	40	32	38
TOTAL ASSETS	19 390	14 938	12 112
LIABILITIES			
Due to investment dealers	–	175	–
Redemptions payable	–	5	–
Accounts payable and accrued expenses	9	8	7
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	9	188	7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 19 381	\$ 14 750	\$ 12 105
Investments at cost	\$ 14 903	\$ 11 464	\$ 11 547
NAV			
SERIES C	\$ 174	\$ 133	\$ 118
ADVISOR SERIES	\$ 1	\$ 1	\$ 1
SERIES D	\$ 7 894	\$ 6 279	\$ 5 750
SERIES F	\$ 11	\$ 10	\$ 3
SERIES O	\$ 11 301	\$ 8 327	\$ 6 233
NAV PER UNIT			
SERIES C	\$ 14.41	\$ 13.21	\$ 10.93
ADVISOR SERIES	\$ 14.44	\$ 13.23	\$ 10.93
SERIES D	\$ 14.49	\$ 13.29	\$ 11.00
SERIES F	\$ 14.52	\$ 13.32	\$ 11.02
SERIES O	\$ 14.68	\$ 13.46	\$ 11.14

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income*(in \$000s except per unit amounts)*

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 440	\$ 402
Net realized gain (loss) on investments	(41)	380
Change in unrealized gain (loss) on investments	1 460	1 966
TOTAL INCOME (LOSS)	1 859	2 748
EXPENSES (see notes – Fund Specific Information)		
Management fees	80	59
Administration fees	14	12
Board of Governors costs	3	3
GST/HST	9	7
Transaction costs	6	3
Expenses reimbursed by manager	(3)	–
TOTAL EXPENSES	109	84
INCREASE (DECREASE) IN NAV	\$ 1 750	\$ 2 664
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 7	\$ 24
ADVISOR SERIES	\$ –	\$ –
SERIES D	\$ 702	\$ 1 163
SERIES F	\$ 1	\$ 2
SERIES O	\$ 1 040	\$ 1 475
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.14	\$ 2.37
ADVISOR SERIES	\$ 1.17	\$ 1.60
SERIES D	\$ 1.28	\$ 2.49
SERIES F	\$ 1.33	\$ 2.56
SERIES O	\$ 1.45	\$ 2.66

Statements of Cash Flow (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 750	\$ 2 664
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	41	(380)
Change in unrealized loss (gain) on investments	(1 460)	(1 966)
(Increase) decrease in accrued receivables	(8)	6
Increase (decrease) in accrued payables	(174)	176
Cost of investments purchased	(4 452)	(1 035)
Proceeds on sales of investments	972	1 498
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3 331)	963
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	4 882	2 767
Cash paid on redemption of redeemable units	(1 966)	(2 775)
Distributions paid to holders of redeemable units	(21)	(25)
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 895	\$ (33)
Net increase (decrease) in cash for the year	(436)	930
Cash (bank overdraft), beginning of period	1 108	178
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 672	\$ 1 108
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 432	\$ 408

Cash consists of cash and futures contracts margin receivable/payable, as applicable.

Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 133	\$ 118	\$ 1	\$ 1	\$ 6 279	\$ 5 750	\$ 10	\$ 3
INCREASE (DECREASE) IN NAV	7	24	–	–	702	1 163	1	2
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	175	2	–	5	1 949	1 245	–	5
Reinvestments of distributions to holders of redeemable units	–	1	–	–	71	94	–	–
Redemption of redeemable units	(141)	(11)	–	(5)	(1 036)	(1 878)	–	–
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	34	(8)	–	–	984	(539)	–	5
Distributions from net income	–	(1)	–	–	(71)	(95)	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	(1)	–	–	(71)	(95)	–	–
NET INCREASE (DECREASE) IN NAV	41	15	–	–	1 615	529	1	7
NAV AT END OF PERIOD	\$ 174	\$ 133	\$ 1	\$ 1	\$ 7 894	\$ 6 279	\$ 11	\$ 10

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 8 327	\$ 6 233	\$ 14 750	\$ 12 105
INCREASE (DECREASE) IN NAV	1 040	1 475	1 750	2 664
Early redemption fees	–	–	–	–
Proceeds from redeemable units issued	2 739	1 529	4 863	2 786
Reinvestments of distributions to holders of redeemable units	198	169	269	264
Redemption of redeemable units	(784)	(886)	(1 961)	(2 780)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	2 153	812	3 171	270
Distributions from net income	(219)	(193)	(290)	(289)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(219)	(193)	(290)	(289)
NET INCREASE (DECREASE) IN NAV	2 974	2 094	4 631	2 645
NAV AT END OF PERIOD	\$ 11 301	\$ 8 327	\$ 19 381	\$ 14 750

The accompanying notes are an integral part of these financial statements.

BONAVISTA CANADIAN EQUITY VALUE FUND

December 31, 2014

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 primarily in common shares of large-capitalization, high-quality Canadian companies and income trusts.

Financial instrument risk and capital management (see note 4 in the generic notes)**Concentration risk (%)**

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

Investment mix	December 31 2014	December 31 2013	January 1 2013
Financials	36.9	34.9	34.4
Industrials	12.7	10.4	9.9
Energy	12.7	16.2	17.5
Consumer Discretionary	10.2	7.2	7.5
Materials	7.8	9.6	15.6
Information Technology	6.2	7.0	6.0
Consumer Staples	5.6	4.5	3.8
Telecommunication Services	2.2	3.2	3.6
Health Care	2.1	0.4	–
Cash/Other	3.6	6.6	1.7

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.0	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	18 678	–	–	18 678
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	18 678	–	–	18 678
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	13 779	–	–	13 779
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	13 779	–	–	13 779
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	11 896	–	–	11 896
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	11 896	–	–	11 896
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

BONAVISTA CANADIAN EQUITY VALUE FUND

December 31, 2014

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2014	December 31 2013
Units held		
Series C	50	50
Advisor Series	96	96
Series D	51	51
Series F	52	51
Series O	53	52
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2014 for the Fund were approximately:

Capital losses	542
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	10	11
Issued number of units	12	–
Reinvested number of units	–	–
Redeemed number of units	(10)	(1)
Ending number of units	12	10

For the periods ended December 31
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–
Series D		
Opening units	472	523
Issued number of units	140	105
Reinvested number of units	5	7
Redeemed number of units	(72)	(163)
Ending number of units	545	472
Series F		
Opening units	1	–
Issued number of units	–	1
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	1	1
Series O		
Opening units	619	560
Issued number of units	192	121
Reinvested number of units	14	13
Redeemed number of units	(55)	(75)
Ending number of units	770	619

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2014		December 31 2013	
	\$	%	\$	%
Total transaction costs	6	100	3	100
Related-party brokerage commissions*	1	17	–	–
Commission arrangements†	–	–	–	–

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Please see the generic notes at the back of the financial statements.

December 31, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	14 743	12 088
Revaluation of investments at FVTPL	7	17
Net assets attributable to holders of redeemable units	14 750	12 105
		December 31 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		2 674
Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes)		(10)
Increase (decrease) in net assets attributable to holders of redeemable units		2 664

Please see the generic notes at the back of the financial statements.

1. The Funds

The mutual funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia and governed by a Master Declaration of Trust. RBC GAM is the manager and portfolio advisor of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 5, 2015.

The Funds may issue an unlimited number of units in some or all of Series C, Advisor Series, Series H, Series D, Series E, Series I and Series O.

Series C units are available to investors who purchase units from authorized third-party dealers.

Advisor Series units are available to all investors with an initial sales charge or low-load sales charge option. Under the initial sales charge option, investors pay a sales commission ranging from 0% to 5% of the amount invested. Under the low-load sales charge option, investors do not pay a commission.

Series H units have lower fees than Series C units and are only available to investors who invest and maintain the required minimum balance.

Series D units are available to all investors and may be purchased, switched or redeemed through Phillips, Hager & North Investment Funds Ltd. (“PH&N IF”) or certain other authorized dealers (primarily discount brokers).

Series F units are available to investors who have fee-based accounts with their dealer.

Series I units have lower fees than Series F units and are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series O units may only be purchased, switched or redeemed through RBC GAM or, in certain circumstances, PH&N IF.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended December 31, 2014, December 31, 2013 and January 1, 2013. In the year a Fund or series is established, “period” represents the period from inception to December 31 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), which include estimates and assumptions made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds, which are investment entities, are as follows:

Fair Value Option Financial instruments are designated as fair value through profit and loss (“FVTPL”) on their initial recognition (the fair value option). Derivative financial instruments are held for trading (“HFT”) and are required to be classified as FVTPL by nature. Other non-derivative financial instruments can be designated as FVTPL if they have a reliably measurable fair value and satisfy some criteria such as (i) it eliminates or significantly reduces an accounting mismatch and (ii) it is part of a portfolio that is managed and its performance is evaluated on a fair value basis. Management’s judgment is that all non-derivative financial instruments are designated as FVTPL since all Funds satisfy the above criteria. The Funds’ financial assets and liabilities are not offset and the gross amounts are reported in the Statements of Financial Position, even if there is a legally enforceable right to offset the recognized amounts. The Funds may enter into various master netting or similar agreements with counterparties.

Redeemable units are measured at their respective redemption values. All other assets and liabilities are measured at amortized cost.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm’s-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds’ financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

December 31, 2014

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in "Notes to Financial Statements – Fund Specific Information."

Investments are recorded at fair value, which is determined as follows:

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing price recorded by the security exchange on which the security is principally traded.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at a principal amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Options – Listed options are valued at the closing price on the recognized exchange on which the option is traded. The premium received for written options is recorded as a credit in the Schedule of Investment Portfolio and adjusted daily to the fair value of the written option.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in "Net gain (loss) on foreign currencies and other net assets" in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a

result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as "Net gain (loss) from futures contracts" in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Mutual Fund Unit Valuation – Units of Funds are valued at their respective net asset value per unit from fund companies on the relevant valuation dates.

Fair Valuation of Investments (including unlisted securities) – If the valuation methods described above are not appropriate, RBC GAM will estimate the fair value of an investment using established fair valuation procedures, such as consideration of public information, broker quotes, valuation models, fundamental analysis, matrix pricing, discounts from market prices of similar securities or discounts applied due to restrictions on the disposition of securities, and external fair value service providers.

Procedures are in place to determine the fair value of foreign securities traded in countries outside North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. This fair valuation process takes into account the last quoted price of the security and adjusts the price based on inputs such as related indices, changes in foreign markets and American Depository Receipts ("ADR") prices. These securities are classified as Level 2.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the Phillips, Hager & North \$U.S. Money Market Fund) at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in "Net gain (loss) on foreign currencies and other net assets" in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. Phillips, Hager & North \$U.S. Money Market Fund has its subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for this Fund.

Valuation of Series A different net asset value is calculated for each series of units of a Fund. The net asset value of a particular series of units is computed by calculating the value of the series' proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative net asset value of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. "Other income (loss)" includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. "Other income received from underlying funds" includes income earned by a Fund from investments in underlying funds.

Increase (Decrease) in NAV per Redeemable Unit Increase (decrease) in NAV per redeemable 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 the Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. 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	HKD – Hong Kong Dollar
CAD – Canadian Dollar	JPY – Japanese Yen
CHF – Swiss Franc	SEK – Swedish Krona
EUR – Euro	USD – United States Dollar
GBP – Pound Sterling	ZAR – South African Rand

4. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund's capital, which is its net assets and consists primarily of its financial instruments.

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio advisors, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives, and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its "Notes to Financial Statements – Fund Specific Information."

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 net assets for the purpose of funding redemptions. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the credit worthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 6). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category such as, geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar or a Fund's functional currency, in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

5. Taxes

The Funds qualify as open-ended mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax, however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.

6. Securities lending 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.

7. Administrative and other related-party transactions**Manager and Portfolio Advisor**

RBC GAM is an indirect wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio advisor 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. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, and the costs of preparing and distributing annual and semi-annual reports, prospectuses, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Board of Governors (“BoG”) of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, *other fund costs*), and taxes (including, but not limited to, GST/HST). Other Fund costs will be allocated among each series of units of a fund in accordance with the services used. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). The Fund’s ownership interest in underlying mutual funds is disclosed in the Fund Specific Information.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal businesses are discussed below.

Sub-Advisors

RBC Global Asset Management (U.S.) Inc. (“RBC GAM US”), a wholly owned subsidiary of Royal Bank, is the sub-advisor for the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund. RBC Global Asset Management (UK) Limited, a wholly owned subsidiary of Royal Bank, is the sub-advisor for the Phillips, Hager & North Overseas Equity Fund and the non-North American equity assets of the Phillips, Hager & North Community Values Global Equity Fund.

Distributors

RBC GAM, PH&N IF, Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are the principal distributors of, or distribute certain series of units of, the Funds. Dealers receive an ongoing commission based on the total value of their clients’ Series C, Advisor Series, Series H or Series D units.

Brokerage

The Funds have established standard brokerage agreements at market rates with related-party dealers.

Trustee and Custodian

RBC IS is the trustee and custodian of the Funds. RBC IS holds title to the Funds’ property on behalf of unitholders and holds the assets of the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the BoG in its capacity as the Independent Review Committee with respect to one or more of the following related-party transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

December 31, 2014

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities: (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

8. Transition to IFRS

The effect of the Funds' transition to IFRS from Canadian generally accepted accounting principles ("GAAP") is summarized as follows:

Statements of cash flows – All Funds are required under IFRS to provide cash flow statements. Under Canadian GAAP most Funds were exempt from this requirement.

Revaluation of investments as FVTPL – Under Canadian GAAP, the fair value of investments was generally required to use bid prices for long positions and ask prices for short positions. Under IFRS, the fair value of investments is generally measured using closing prices – that is, in the same manner in which the daily net asset value per unit is measured for unitholder transaction purposes. As a result, upon adoption of IFRS, adjustments were recognized at January 1, 2013 and December 31, 2013.

All financial assets and financial liabilities were classified as FVTPL upon transition to IFRS. Previously financial assets and financial liabilities were carried at fair value under Canadian GAAP.

Reconciliation of net assets and comprehensive income previously reported under Canadian GAAP to IFRS are disclosed in the Fund Specific Information.

Classification of redeemable units of the Fund – Management has determined that the Funds' units do not meet all the criteria in IAS 32, Financial Instruments Presentation to be classified as equity and, therefore, by exception to those criteria, have been reclassified as financial liabilities upon transition to IFRS. Under Canadian GAAP the units were accounted for as equity.

Investment entity – Management has determined that the Funds meet the definition of "investment entity" and as a result, investments in other mutual funds managed by RBC GAM are measured at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgment that has been made in determining that the Funds meet this definition is that fair value is used as the primary measurement attribute to measure and evaluate the performance of substantially all of their investments.

9. Future accounting changes

The following IFRS standard has been issued, but is not yet in effect:

IFRS 9 – Financial Instruments. IFRS 9 replaces parts of IAS 39 related to the classification and measurement of financial assets and liabilities.

The new standard is not expected to have a significant impact on the Funds.

December 31, 2014

On January 1, 2011, the Board of Governors became the independent review committee of the Phillips, Hager & North investment funds. The Board of Governors was first established in 1994 to provide advice to RBC Global Asset Management Inc. regarding conflicts of interest in fund management. All of the members of the Board of Governors are independent of RBC Global Asset Management Inc. and RBC Financial Group.

In its capacity as the independent review committee, the Board of Governors provides input on conflict of interest matters in respect of RBC Global Asset Management Inc. and the Phillips, Hager & North investment funds. At least once per year, the Board of Governors reviews and assesses the adequacy and effectiveness of the fund manager's policies and procedures relating to conflict of interest matters.

The Board of Governors is responsible for reviewing and assessing the independence of its members, the compensation of its members, and the effectiveness of the Board of Governors, its subcommittees and its members. Effective July 1, 2015, the Board of Governors will be referred to as the Independent Review Committee ("IRC") and will no longer be using a subcommittee structure. The IRC will continue to review advisory matters relating to conflicts of interest. This change in structure will have no impact on its ability to effectively fulfill all IRC responsibilities.

The annual report of the Board of Governors describing its activities as the independent review committee of the Phillips, Hager & North Funds is available under Mutual Fund Governance at www.rbcgam.com/investorinfo and on SEDAR at www.sedar.com.

If you have any questions or comments about the Board of Governors or its subcommittees, please let us know by contacting Melanie Adams, Secretary to the Board of Governors, at the address below.



Lloyd R. McGinnis, OC, PEng
Chair of the Board of Governors

Board of Governors

Attention: Melanie Adams
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Board of Governors

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Director
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Former Investment Industry
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Chair
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Saskatoon, Saskatchewan

¹ Member of the Financial Advisory Committee

² Chair of the Financial Advisory Committee

³ Member of the Investment Conflicts Committee

⁴ Chair of the Investment Conflicts Committee

⁵ Chair of the Governance Committee

⁶ Member of the Governance Committee

Selwyn B. Kossuth^{1,3}

Financial Consultant
Mississauga, Ontario

If you have questions regarding Phillips, Hager & North Funds, you can contact us using the following options:

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Investors: **1-800-661-6141**
Dealers: **1-800-662-0652**

On the Internet

Visit our website at: **www.rbcgam.com/funds**
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**RBC Global
Asset Management**