PHILLIPS, HAGER & NORTH
Investment Management®

PHILLIPS, HAGER & NORTH FUNDS

2016 Annual Financial Statements

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc.,
the Manager of the Funds and an indirect wholly owned subsidiary of Royal Bank of Canada.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING 2

INDEPENDENT AUDITOR'S REPORT 3

MONEY MARKET FUNDS

Phillips, Hager & North Canadian Money Market Fund 5

Phillips, Hager & North $U.S. Money Market Fund 11

FIXED-INCOME FUNDS

Phillips, Hager & North Short Term Bond & Mortgage Fund 17

Phillips, Hager & North Bond Fund 29

Phillips, Hager & North Community Values Bond Fund 42

Phillips, Hager & North Total Return Bond Fund 52

Phillips, Hager & North Inflation-Linked Bond Fund 66

Phillips, Hager & North High Yield Bond Fund 72

Phillips, Hager & North Long Inflation-linked Bond Fund 79

BALANCED FUNDS

Phillips, Hager & North Monthly Income Fund 85

Phillips, Hager & North Balanced Fund 99

Phillips, Hager & North Community Values Balanced Fund 106

CANADIAN EQUITY FUNDS

Phillips, Hager & North Dividend Income Fund 113

Phillips, Hager & North Canadian Equity Fund 120

Phillips, Hager & North Community Values Canadian Equity Fund 127

Phillips, Hager & North Canadian Equity Value Fund 134

Phillips, Hager & North Canadian Equity Underlying Fund 142

Phillips, Hager & North Canadian Equity Underlying Fund II 149

Phillips, Hager & North Canadian Growth Fund 156

Phillips, Hager & North Canadian Income Fund 164

Phillips, Hager & North Vintage Fund 171

U.S. EQUITY FUNDS

Phillips, Hager & North U.S. Dividend Income Fund 178

Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund 184

Phillips, Hager & North U.S. Equity Fund 197

Phillips, Hager & North Currency-Hedged U.S. Equity Fund 204

Phillips, Hager & North U.S. Growth Fund 210

INTERNATIONAL EQUITY FUNDS

Phillips, Hager & North Overseas Equity Fund 217

Phillips, Hager & North Currency-Hedged Overseas Equity Fund 224

GLOBAL EQUITY FUNDS

Phillips, Hager & North Global Equity Fund 231

Phillips, Hager & North Community Values Global Equity Fund 238

TARGET DATE FUNDS

Phillips, Hager & North LifeTime 2015 Fund 245

Phillips, Hager & North LifeTime 2020 Fund 251

Phillips, Hager & North LifeTime 2025 Fund 257

Phillips, Hager & North LifeTime 2030 Fund 263

Phillips, Hager & North LifeTime 2035 Fund 269

Phillips, Hager & North LifeTime 2040 Fund 275

Phillips, Hager & North LifeTime 2045 Fund 281

Phillips, Hager & North LifeTime 2050 Fund 287

BONAVISTA INVESTMENT FUNDS

BonaVista Global Balanced Fund 293

BonaVista Canadian Equity Value Fund 300

GENERIC NOTES TO FINANCIAL STATEMENTS 306

CONTACT US Inside Back Cover

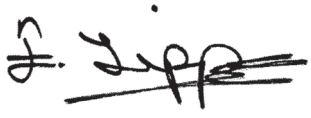
The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the RBC GAM Investment Funds (the "Funds") and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within the financial statements.

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

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

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

March 8, 2017



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

To the Unitholders of:

RBC FUNDS & RBC PRIVATE POOLS

RBC Canadian T-Bill Fund
RBC Canadian Money Market Fund
RBC Premium Money Market Fund
RBC $U.S. Money Market Fund
RBC Premium $U.S. Money Market Fund
RBC Canadian Short-Term Income Fund
RBC Monthly Income Bond Fund
RBC Bond Fund
RBC Advisor Canadian Bond Fund
RBC Canadian Government Bond Index Fund
RBC Global Bond Fund
RBC $U.S. Investment Grade Corporate Bond Fund
RBC Global Corporate Bond Fund
RBC High Yield Bond Fund
RBC $U.S. High Yield Bond Fund
RBC Global High Yield Bond Fund
RBC Strategic Income Bond Fund
(formerly, RBC Monthly Income High Yield Bond Fund)
RBC Emerging Markets Foreign Exchange Fund
RBC Emerging Markets Bond Fund
RBC Emerging Markets Bond Fund (CAD Hedged)
BlueBay Global Monthly Income Bond Fund
BlueBay Global Sovereign Bond Fund (Canada)
BlueBay Global Investment Grade Corporate Bond Fund (Canada)
BlueBay European High Yield Bond Fund (Canada)
BlueBay Emerging Markets Corporate Bond Fund
BlueBay Global Convertible Bond Fund (Canada)
BlueBay $U.S. Global Convertible Bond Fund (Canada)
RBC Managed Payout Solution
RBC Managed Payout Solution – Enhanced
RBC Managed Payout Solution – Enhanced Plus
RBC Monthly Income Fund
RBC U.S. Monthly Income Fund
RBC Balanced Fund
RBC Global Balanced Fund
RBC Jantzi Balanced Fund
RBC Conservative Growth & Income Fund
RBC Balanced Growth & Income Fund
RBC Global Growth & Income Fund
RBC Retirement Income Solution
RBC Retirement 2020 Portfolio
RBC Retirement 2025 Portfolio
RBC Retirement 2030 Portfolio
RBC Retirement 2035 Portfolio
RBC Retirement 2040 Portfolio
RBC Retirement 2045 Portfolio
RBC Retirement 2050 Portfolio
RBC Select Very Conservative Portfolio
RBC Select Conservative Portfolio
RBC Select Balanced Portfolio
RBC Select Growth Portfolio
RBC Select Aggressive Growth Portfolio
RBC Select Choices Conservative Portfolio
RBC Select Choices Balanced Portfolio
RBC Select Choices Growth Portfolio
RBC Select Choices Aggressive Growth Portfolio
RBC Target 2020 Education Fund
RBC Target 2025 Education Fund
RBC Target 2030 Education Fund
RBC Canadian Dividend Fund
RBC Canadian Equity Fund
RBC QUBE Canadian Equity Fund
RBC QUBE Low Volatility Canadian Equity Fund
RBC Trend Canadian Equity Fund
RBC Jantzi Canadian Equity Fund
RBC Canadian Index Fund
RBC O'Shaughnessy Canadian Equity Fund
RBC O'Shaughnessy All-Canadian Equity Fund
RBC Canadian Equity Income Fund
RBC Canadian Small & Mid-Cap Resources Fund
RBC North American Value Fund
RBC North American Growth Fund
RBC U.S. Dividend Fund
RBC U.S. Dividend Currency Neutral Fund
RBC U.S. Equity Fund
RBC U.S. Equity Currency Neutral Fund
RBC QUBE U.S. Equity Fund
RBC QUBE Low Volatility U.S. Equity Fund
RBC QUBE Low Volatility U.S. Equity Currency Neutral Fund
RBC U.S. Equity Value Fund
RBC U.S. Index Fund
RBC U.S. Index Currency Neutral Fund
RBC O'Shaughnessy U.S. Value Fund
RBC U.S. Mid-Cap Growth Equity Fund
(formerly, RBC U.S. Mid-Cap Equity Fund)
RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund
(formerly, RBC U.S. Mid-Cap Equity Currency Neutral Fund)
RBC U.S. Mid-Cap Value Equity Fund
RBC U.S. Small-Cap Core Equity Fund
RBC U.S. Small-Cap Value Equity Fund
RBC O'Shaughnessy U.S. Growth Fund
RBC O'Shaughnessy U.S. Growth Fund II
RBC Life Science and Technology Fund
RBC International Dividend Growth Fund
RBC International Equity Fund
RBC International Equity Currency Neutral Fund
RBC International Index Currency Neutral Fund
RBC O'Shaughnessy International Equity Fund
RBC European Dividend Fund
RBC European Equity Fund
RBC European Mid-Cap Equity Fund
RBC Asian Equity Fund
RBC Asia Pacific ex-Japan Equity Fund
RBC Japanese Equity Fund
RBC Emerging Markets Multi-Strategy Equity Fund
RBC Emerging Markets Dividend Fund
RBC Emerging Markets Equity Fund
RBC Emerging Markets Small-Cap Equity Fund
RBC Global Dividend Growth Fund
RBC Global Dividend Growth Currency Neutral Fund
RBC Global Equity Fund
RBC Global Equity Focus Fund
RBC QUBE Global Equity Fund
RBC QUBE Low Volatility Global Equity Fund
RBC Jantzi Global Equity Fund
RBC O'Shaughnessy Global Equity Fund
RBC QUBE All Country World Equity Fund
RBC QUBE Low Volatility All Country World Equity Fund
RBC Global Energy Fund
RBC Global Precious Metals Fund
RBC Global Resources Fund
RBC Global Technology Fund
RBC Private Short-Term Income Pool
RBC Private Canadian Corporate Bond Pool
RBC Private Income Pool
RBC Private Canadian Dividend Pool
RBC Private Canadian Growth and Income Equity Pool
RBC Private Canadian Equity Pool
RBC Private Canadian Growth Equity Pool
RBC Private Canadian Mid-Cap Equity Pool
RBC Private U.S. Large-Cap Value Equity Pool
RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool
RBC Private U.S. Growth Equity Pool
RBC Private U.S. Large-Cap Core Equity Pool
RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool
RBC Private U.S. Small-Cap Equity Pool
RBC Private EAFE Equity Pool
RBC Private Overseas Equity Pool
RBC Private World Equity Pool

PHILLIPS, HAGER & NORTH INVESTMENT FUNDS

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

(collectively referred to as the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of financial position as at December 31, 2016 and the statements of comprehensive income, cash flows and changes in net assets attributable to holders of redeemable units for the periods indicated in note 2, and the related notes, which comprise 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 the financial statements of each of the Funds in accordance with International Financial Reporting Standards, 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 the financial statements of each of the Funds based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2016 and the financial performance and cash flows of each of the Funds for the periods indicated in note 2, in accordance with International Financial Reporting Standards.

Other matter

The financial statements of each of the Funds as at December 31, 2015 and for the periods indicated in note 2, as applicable, were audited by another auditor who expressed an unmodified opinion on those statements on March 4, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 8, 2017

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH CANADIAN MONEY MARKET FUND

December 31, 2016

Par Value (000s)	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
99 184	Bank of Montreal	$ 98 855	
97 750	Bank of Nova Scotia	97 734	
81 100	Canadian Imperial Bank of Commerce	80 994	
51 650	HSBC Bank Canada	51 589	
34 146	National Bank of Canada	34 257	
49 225	Toronto-Dominion Bank	49 165	
		412 594	**32.7**
COMMERCIAL PAPER			
57 200	Banner Trust	56 987	
48 925	Bay Street Funding Trust - Class A	48 782	
48 300	Canadian Master Trust - Series A	48 051	
33 580	Central 1 Credit Union	33 502	
5 025	Clarity Trust	4 999	
13 000	FortisBC Energy Inc.	12 982	
35 475	Husky Energy Inc.	35 399	
34 500	Inter Pipeline Corridor Inc.	34 419	
60 450	King Street Funding Trust	60 266	
34 700	McCain Financial Canada	34 669	
57 400	Merit Trust - Senior Notes	57 159	
27 875	Nova Scotia Power Inc.	27 852	
61 600	Prime Trust - Senior Notes	61 415	
61 000	Ridge Trust	60 683	
56 925	SAFE Trust - Series 1996-1	56 694	
46 900	SOUND Trust	46 787	
60 225	SURE Trust	60 070	
33 125	TMX Group Ltd.	33 069	
61 500	Zeus Receivables Trust - Senior Notes	61 326	
		835 111	**66.2**
TOTAL INVESTMENTS		1 247 705	**98.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		13 280	**1.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		$1 260 985	**100.0**

Investments, which are grouped by issuer, earn interest at rates ranging from 0.76% to 1.25% and mature between January 3, 2017 and October 11, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 1 247 705**	$ 1 546 984
Cash	**9**	17
Subscriptions receivable	**13 196**	7 639
Dividends receivable, interest accrued and other assets	**2 137**	2 288
TOTAL ASSETS	**1 263 047**	1 556 928
LIABILITIES		
Redemptions payable	**1 864**	495
Distributions payable	**53**	53
Accounts payable and accrued expenses	**145**	276
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**2 062**	824
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 1 260 985**	$ 1 556 104
Investments at cost	**$ 1 247 705**	$ 1 546 984
NAV		
SERIES A	**$ 5 216**	$ 6 575
ADVISOR SERIES	**$ 1 433**	$ 3 576
SERIES D	**$ 248 646**	$ 519 426
SERIES F	**$ 2 706**	$ 3 806
SERIES O	**$ 1 002 984**	$ 1 022 721
NAV PER UNIT		
SERIES A	**$ 10.00**	$ 10.00
ADVISOR SERIES	**$ 10.00**	$ 10.00
SERIES D	**$ 10.00**	$ 10.00
SERIES F	**$ 10.00**	$ 10.00
SERIES O	**$ 10.00**	$ 10.00

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 12 724**	$ 13 113
TOTAL INCOME (LOSS)	**12 724**	13 113
EXPENSES (see notes – Fund Specific Information)		
Management fees	**1 625**	1 648
Administration fees	**383**	477
Independent Review Committee costs	**2**	3
GST/HST	**162**	177
TOTAL EXPENSES	**2 172**	2 305
INCREASE (DECREASE) IN NAV	**$ 10 552**	$ 10 808
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 21**	$ 24
ADVISOR SERIES	**$ 10**	$ 16
SERIES D	**$ 1 292**	$ 1 426
SERIES F	**$ 15**	$ 15
SERIES O	**$ 9 214**	$ 9 327
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.04**	$ 0.05
ADVISOR SERIES	**$ 0.04**	$ 0.05
SERIES D	**$ 0.04**	$ 0.04
SERIES F	**$ 0.04**	$ 0.05
SERIES O	**$ 0.09**	$ 0.10

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 10 552**	$ 10 808
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**–**	–
Change in unrealized loss (gain) on investments	**–**	–
(Increase) decrease in accrued receivables	**151**	191
Increase (decrease) in accrued payables	**(131)**	102
Cost of investments purchased	**(8 892 631)**	(8 924 458)
Proceeds on sales of investments	**9 191 910**	8 632 034
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**309 851**	(281 323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**1 442 828**	1 584 446
Cash paid on redemption of redeemable units	**(1 751 939)**	(1 302 460)
Distributions paid to holders of redeemable units	**(748)**	(676)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (309 859)**	$ 281 310
Net increase (decrease) in cash for the period	**(8)**	(13)
Cash (bank overdraft), beginning of period	**17**	30
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 9**	$ 17
Interest received (paid)	**$ 12 875**	$ 13 304
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 6 575**	$ 4 313	**$ 3 576**	$ 3 327	**$ 519 426**	$ 271 683	**$ 3 806**	$ 5 237
INCREASE (DECREASE) IN NAV	**21**	24	**10**	16	**1 292**	1 426	**15**	15
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**3 627**	5 307	**1 136**	2 299	**308 203**	508 565	**1 560**	1 978
Reinvestments of distributions to holders of redeemable units	**22**	23	**10**	16	**1 275**	1 411	**16**	14
Redemption of redeemable units	**(5 007)**	(3 068)	**(3 289)**	(2 066)	**(580 259)**	(262 233)	**(2 675)**	(3 424)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(1 358)**	2 262	**(2 143)**	249	**(270 781)**	247 743	**(1 099)**	(1 432)
Distributions from net income	**(22)**	(24)	**(10)**	(16)	**(1 291)**	(1 426)	**(16)**	(14)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(22)**	(24)	**(10)**	(16)	**(1 291)**	(1 426)	**(16)**	(14)
NET INCREASE (DECREASE) IN NAV	**(1 359)**	2 262	**(2 143)**	249	**(270 780)**	247 743	**(1 100)**	(1 431)
NAV AT END OF PERIOD	**$ 5 216**	$ 6 575	**$ 1 433**	$ 3 576	**$ 248 646**	$ 519 426	**$ 2 706**	$ 3 806

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 1 022 721**	$ 980 168	**$ 1 556 104**	$ 1 264 728
INCREASE (DECREASE) IN NAV	**9 214**	9 327	**10 552**	10 808
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**1 133 859**	1 064 076	**1 448 385**	1 582 225
Reinvestments of distributions to holders of redeemable units	**8 482**	8 631	**9 805**	10 095
Redemption of redeemable units	**(1 162 078)**	(1 030 153)	**(1 753 308)**	(1 300 944)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(19 737)**	42 554	**(295 118)**	291 376
Distributions from net income	**(9 214)**	(9 328)	**(10 553)**	(10 808)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(9 214)**	(9 328)	**(10 553)**	(10 808)
NET INCREASE (DECREASE) IN NAV	**(19 737)**	42 553	**(295 119)**	291 376
NAV AT END OF PERIOD	**$ 1 002 984**	$ 1 022 721	**$ 1 260 985**	$ 1 556 104

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
R-1 (H)	**76.8**	70.0
R-1 (M)	**9.1**	11.6
R-1 (L)	**14.1**	18.4
Total	**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 2016**	December 31 2015
Corporate Notes	**98.9**	99.4
Cash/Other	**1.1**	0.6
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
0 – 1 month	**42.2**	46.4
1 – 3 months	**38.5**	31.9
4 – 6 months	**18.2**	17.6
7 – 12 months	**1.1**	4.1
Total	**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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**1 247 705**	**–**	**1 247 705**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**–**	**1 247 705**	**–**	**1 247 705**
% of total portfolio	**–**	**100.0**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 546 984	–	1 546 984
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 546 984	–	1 546 984
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses*
Series A	up to 0.65%	0.05%
Advisor Series	up to 0.65%	0.05%
Series D	up to 0.50%†	0.05%
Series F	up to 0.40%	0.05%
Series O	n/a‡	0.02%

* Effective January 1, 2016, the administration fees for Series O units were reduced to 0.02% from 0.03%.

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

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

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

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 2016	December 31 2015
Units held		
Series A	**46**	43
Advisor Series	**53**	53
Series D	**531**	4 007 825
Series F	**2**	2
Series O	**394**	519
Value of all units	**10**	40 084

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**658**	431
Issued number of units	**363**	532
Reinvested number of units	**2**	2
Redeemed number of units	**(501)**	(307)
Ending number of units	**522**	658
Advisor Series		
Opening units	**358**	333
Issued number of units	**113**	230
Reinvested number of units	**1**	2
Redeemed number of units	**(329)**	(207)
Ending number of units	**143**	358
Series D		
Opening units	**51 943**	27 168
Issued number of units	**30 820**	50 857
Reinvested number of units	**128**	141
Redeemed number of units	**(58 026)**	(26 223)
Ending number of units	**24 865**	51 943
Series F		
Opening units	**381**	524
Issued number of units	**156**	198
Reinvested number of units	**2**	1
Redeemed number of units	**(268)**	(342)
Ending number of units	**271**	381
Series O		
Opening units	**102 272**	98 017
Issued number of units	**113 386**	106 407
Reinvested number of units	**848**	863
Redeemed number of units	**(116 208)**	(103 015)
Ending number of units	**100 298**	102 272

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 2016	December 31 2015
BonaVista Balanced Fund	**–**	0.1
BonaVista Canadian Equity Fund	**0.3**	0.1
BonaVista Canadian Equity Value Fund	**–**	–
BonaVista Private Balanced Fund	**–**	–
Phillips, Hager & North Balanced Fund	**0.3**	0.8
Phillips, Hager & North Balanced Pension Trust	**0.5**	1.2
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	**–**	–
Phillips, Hager & North LifeTime 2040 Fund	**–**	–
Phillips, Hager & North LifeTime 2045 Fund	**–**	–
Phillips, Hager & North LifeTime 2050 Fund	**–**	–
Total	**1.1**	2.2

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)

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

December 31, 2016

Par Value (000s)	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
1 130	Bank of Montreal	$ 1 128	
1 665	Bank of Nova Scotia	1 664	
3 860	Canadian Imperial Bank of Commerce	3 858	
2 300	HSBC Bank Canada	2 299	
4 400	Toronto-Dominion Bank	4 397	
		13 346	**25.9**
COMMERCIAL PAPER			
2 000	Banner Trust	1 994	
1 990	Caisse Centrale Desjardins	1 985	
1 990	Canadian Master Trust - Series A	1 978	
1 990	Clarity Trust	1 977	
1 300	Enbridge Pipelines Inc.	1 299	
2 000	Export Development Canada Corp.	1 992	
2 200	Fusion Trust	2 186	
1 155	Gaz Metro Inc.	1 153	
2 125	Merit Trust - Senior Notes	2 117	
2 050	OMERS Realty Corp.	2 046	
1 975	Prime Trust - Senior Notes	1 970	
2 200	Ridge Trust	2 196	
2 000	SAFE Trust - Series 1996-1	1 993	
2 150	SOUND Trust	2 141	
395	SURE Trust	394	
2 211	Zeus Receivables Trust - Senior Notes	2 202	
		29 623	**57.5**
PROVINCIAL OBLIGATIONS			
7 615	Province of British Columbia	7 600	
		7 600	**14.8**
TOTAL INVESTMENTS		50 569	**98.2**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		937	**1.8**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		$ 51 506	**100.0**

Investments, which are grouped by issuer, earn interest at rates ranging from 0.65% to 1.33% and mature between January 10, 2017 and May 19, 2017.

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

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

(IN U.S. DOLLARS)

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 50 569**	$ 51 812
Cash	**48**	5
Subscriptions receivable	**872**	338
Dividends receivable, interest accrued and other assets	**54**	28
TOTAL ASSETS	**51 543**	52 183
LIABILITIES		
Redemptions payable	**28**	387
Distributions payable	**4**	3
Accounts payable and accrued expenses	**5**	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**37**	392
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 51 506**	$ 51 791
Investments at cost	**$ 50 569**	$ 51 812
NAV		
SERIES A	**$ 1 089**	$ 1 469
ADVISOR SERIES	**$ 54**	$ 69
SERIES D	**$ 15 180**	$ 13 985
SERIES F	**$ 819**	$ 2 735
SERIES O	**$ 34 364**	$ 33 533
NAV PER UNIT		
SERIES A	**$ 10.00**	$ 10.00
ADVISOR SERIES	**$ 10.00**	$ 10.00
SERIES D	**$ 10.00**	$ 10.00
SERIES F	**$ 10.00**	$ 10.00
SERIES O	**$ 10.00**	$ 10.00

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 341**	$ 155
TOTAL INCOME (LOSS)	**341**	155
EXPENSES (see notes – Fund Specific Information)		
Management fees	**29**	9
Administration fees	**23**	27
Independent Review Committee costs	**2**	2
GST/HST	**5**	3
TOTAL EXPENSES	**59**	41
INCREASE (DECREASE) IN NAV	**$ 282**	$ 114
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 6**	$ 3
ADVISOR SERIES	**$ –**	$ 1
SERIES D	**$ 70**	$ 26
SERIES F	**$ 7**	$ 3
SERIES O	**$ 199**	$ 81
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.05**	$ 0.02
ADVISOR SERIES	**$ 0.05**	$ 0.02
SERIES D	**$ 0.05**	$ 0.02
SERIES F	**$ 0.05**	$ 0.02
SERIES O	**$ 0.07**	$ 0.03

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

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

(IN U.S. DOLLARS)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 282**	$ 114
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**–**	–
Change in unrealized loss (gain) on investments	**–**	–
(Increase) decrease in accrued receivables	**(26)**	(14)
Increase (decrease) in accrued payables	**3**	(1)
Cost of investments purchased	**(376 957)**	(440 699)
Proceeds on sales of investments	**378 200**	444 205
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**1 502**	3 605
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**39 549**	50 145
Cash paid on redemption of redeemable units	**(40 970)**	(53 738)
Distributions paid to holders of redeemable units	**(38)**	(10)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (1 459)**	$ (3 603)
Net increase (decrease) in cash for the period	**43**	2
Cash (bank overdraft), beginning of period	**5**	3
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 48**	$ 5
Interest received (paid)	**$ 315**	$ 141
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

(IN U.S. DOLLARS)

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 1 469**	$ 1 930	**$ 69**	$ 93	**$ 13 985**	$ 16 354	**$ 2 735**	$ 3 035
INCREASE (DECREASE) IN NAV	**6**	3	**–**	1	**70**	26	**7**	3
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**505**	502	**6**	43	**12 041**	10 676	**801**	3 123
Reinvestments of distributions to holders of redeemable units	**5**	2	**–**	–	**68**	26	**8**	4
Redemption of redeemable units	**(890)**	(965)	**(21)**	(68)	**(10 914)**	(13 071)	**(2 724)**	(3 426)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(380)**	(461)	**(15)**	(25)	**1 195**	(2 369)	**(1 915)**	(299)
Distributions from net income	**(6)**	(3)	**–**	–	**(70)**	(26)	**(8)**	(4)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(6)**	(3)	**–**	–	**(70)**	(26)	**(8)**	(4)
NET INCREASE (DECREASE) IN NAV	**(380)**	(461)	**(15)**	(24)	**1 195**	(2 369)	**(1 916)**	(300)
NAV AT END OF PERIOD	**$ 1 089**	$ 1 469	**$ 54**	$ 69	**$ 15 180**	$ 13 985	**$ 819**	$ 2 735

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 33 533**	$ 34 032	**$ 51 791**	$ 55 444
INCREASE (DECREASE) IN NAV	**199**	81	**282**	114
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**26 730**	35 985	**40 083**	50 329
Reinvestments of distributions to holders of redeemable units	**163**	69	**244**	101
Redemption of redeemable units	**(26 062)**	(36 553)	**(40 611)**	(54 083)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**831**	(499)	**(284)**	(3 653)
Distributions from net income	**(199)**	(81)	**(283)**	(114)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(199)**	(81)	**(283)**	(114)
NET INCREASE (DECREASE) IN NAV	**831**	(499)	**(285)**	(3 653)
NAV AT END OF PERIOD	**$ 34 364**	$ 33 533	**$ 51 506**	$ 51 791

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
R-1 (H)	**90.7**	88.9
R-1 (M)	**4.5**	8.6
R-1 (L)	**4.8**	2.5
Total	**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 2016**	December 31 2015
Corporate Notes	**83.4**	94.0
Government Notes	**14.8**	6.0
Cash/Other	**1.8**	–
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
0 – 1 month	**35.8**	47.9
1 – 3 months	**52.9**	51.9
4 – 6 months	**11.3**	0.2
7 – 12 months	**–**	–
Total	**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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**50 569**	**–**	**50 569**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**–**	**50 569**	**–**	**50 569**
% of total portfolio	**–**	**100.0**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	51 812	–	51 812
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	51 812	–	51 812
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	up to 0.75%	0.05%
Advisor Series	up to 0.75%	0.05%
Series D	up to 0.50%	0.05%
Series F	up to 0.50%	0.05%
Series O	n/a*	0.05%

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

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

December 31, 2016

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 2016	December 31 2015
Units held		
Advisor Series	**37**	101
Series D	**1**	1
Value of all units	**–**	1

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, 2016 for the Fund were approximately:

Capital losses	363
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**147**	193
Issued number of units	**50**	51
Reinvested number of units	**1**	–
Redeemed number of units	**(89)**	(97)
Ending number of units	**109**	147
Advisor Series		
Opening units	**7**	9
Issued number of units	**–**	5
Reinvested number of units	**–**	–
Redeemed number of units	**(2)**	(7)
Ending number of units	**5**	7
Series D		
Opening units	**1 399**	1 635
Issued number of units	**1 203**	1 068
Reinvested number of units	**7**	3
Redeemed number of units	**(1 091)**	(1 307)
Ending number of units	**1 518**	1 399
Series F		
Opening units	**273**	303
Issued number of units	**80**	313
Reinvested number of units	**1**	–
Redeemed number of units	**(272)**	(343)
Ending number of units	**82**	273
Series O		
Opening units	**3 353**	3 403
Issued number of units	**2 673**	3 598
Reinvested number of units	**16**	7
Redeemed number of units	**(2 606)**	(3 655)
Ending number of units	**3 436**	3 353

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, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
AUSTRALIA BONDS						
9 733	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-2017	$ 9 930	$ 9 861	
TOTAL AUSTRALIA BONDS				9 930	9 861	**0.2**
CANADIAN BONDS						
CORPORATE						
40 620	407 International Inc.	3.870	24-Nov-2017	42 308	41 540	
10 158	AltaGas Ltd.	5.490	27-Mar-2017	11 006	10 253	
1 878	AltaGas Ltd.	4.600	15-Jan-2018	2 028	1 938	
2 534	AltaGas Ltd.	4.550	17-Jan-2019	2 698	2 673	
24 369	AltaLink Investments LP	3.674	05-Jun-2019	25 217	25 286	
3 902	AltaLink Investments LP	3.265	05-Jun-2020	4 080	4 032	
9 623	AltaLink Investments LP	2.244	07-Mar-2022	9 594	9 576	
11 626	AltaLink LP	5.243	29-May-2018	12 782	12 251	
1 575	AltaLink LP	3.621	17-Sep-2020	1 577	1 683	
10 000	AltaLink LP	2.978	28-Nov-2022	10 575	10 485	
2 800	AltaLink LP	3.668	06-Nov-2023	3 042	3 046	
1 100	Bank of Montreal	4.550	01-Aug-2017	1 167	1 122	
20 782	Bank of Montreal	2.240	11-Dec-2017	21 105	21 005	
19 899	Bank of Montreal	6.020	02-May-2018	22 148	21 139	
1 475	Bank of Montreal	2.100	06-Oct-2020	1 511	1 491	
14 505	Bank of Montreal	1.880	31-Mar-2021	14 513	14 491	
34 492	Bank of Montreal	3.120	19-Sep-2024	34 668	34 949	
26 779	Bank of Montreal	3.340	08-Dec-2025	26 775	27 284	
5 247	Bank of Nova Scotia	4.100	08-Jun-2017	5 493	5 317	
9 047	Bank of Nova Scotia	2.242	22-Mar-2018	9 228	9 160	
67 101	Bank of Nova Scotia	1.330	01-May-2018	66 964	67 181	
13 000	Bank of Nova Scotia	2.750	13-Aug-2018	13 387	13 290	
17 500	Bank of Nova Scotia	2.462	14-Mar-2019	17 986	17 881	
270	Bank of Nova Scotia	2.400	28-Oct-2019	278	276	
13 880	Bank of Nova Scotia	2.090	09-Sep-2020	14 195	14 023	
2 866	bcIMC Realty Corp.	2.650	29-Jun-2017	2 878	2 888	
4 991	bcIMC Realty Corp.	2.100	03-Jun-2021	4 989	5 014	
9 112	Bell Canada	4.370	13-Sep-2017	9 489	9 311	
2 540	Bell Canada	4.880	26-Apr-2018	2 719	2 656	
1 305	Bell Canada	3.500	10-Sep-2018	1 306	1 349	
29 505	Bell Canada	5.520	26-Feb-2019	33 035	31 917	
5 981	Bell Canada	3.350	18-Jun-2019	6 230	6 224	
3 427	Bell Canada	3.540	12-Jun-2020	3 506	3 610	
7 665	Bell Canada	4.950	19-May-2021	8 818	8 549	
950	Bell Canada	3.150	29-Sep-2021	969	990	
8 675	Bell Canada	2.000	01-Oct-2021	8 658	8 582	
6 801	Bell Canada	3.000	03-Oct-2022	6 851	6 989	
4 150	Bell Canada	4.700	11-Sep-2023	4 761	4 626	
8 032	Blackbird Infrastructure 407 GP	1.713	08-Oct-2021	7 969	7 945	
14 096	Brookfield Asset Management Inc.	5.290	25-Apr-2017	15 062	14 262	
5 361	Brookfield Asset Management Inc.	3.950	09-Apr-2019	5 573	5 584	
5 740	Brookfield Asset Management Inc.	5.300	01-Mar-2021	6 406	6 332	
12 683	Brookfield Asset Management Inc.	4.540	31-Mar-2023	14 025	13 664	
3 558	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	3 563	3 642	
6 893	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	6 912	7 002	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
4 150	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	$ 4 643	$ 4 543	
9 887	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	10 898	10 763	
28 647	Bruce Power LP	2.844	23-Jun-2021	29 004	29 115	
2 340	Caisse Centrale Desjardins	2.443	17-Jul-2019	2 407	2 392	
6 042	Cameco Corp.	5.670	02-Sep-2019	6 741	6 476	
4 794	Cameco Corp.	3.750	14-Nov-2022	4 921	4 824	
25 322	Canadian Credit Card Trust II	1.829	24-Mar-2020	25 263	25 376	
3 025	Canadian Imperial Bank of Commerce	2.220	07-Mar-2018	3 070	3 062	
61 152	Canadian Imperial Bank of Commerce	1.700	09-Oct-2018	61 342	61 508	
21 220	Canadian Imperial Bank of Commerce	3.000	28-Oct-2024	21 276	21 410	
5 010	Choice Properties LP	3.000	20-Apr-2017	5 080	5 016	
24 892	Choice Properties LP	3.600	20-Apr-2020	25 539	25 999	
11 260	CI Financial Corp.	2.645	07-Dec-2020	11 260	11 304	
6 865	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	6 885	7 000	
2 992	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	3 093	3 098	
8 004	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	8 471	8 465	
10 004	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	10 204	10 313	
15 477	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	15 544	15 778	
4 316	Cominar Real Estate Investment Trust	4.247	23-May-2023	4 323	4 364	
6 726	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	6 762	6 896	
6 961	Crombie Real Estate Investment Trust	2.775	10-Feb-2020	6 945	6 891	
5 600	CU Inc.	6.145	22-Nov-2017	6 582	5 846	
16 600	Eagle Credit Card Trust	2.849	17-Oct-2018	16 822	17 025	
5 420	Eagle Credit Card Trust	2.147	17-Sep-2020	5 420	5 482	
35 143	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	35 415	35 341	
3 742	Emera Inc.	4.830	02-Dec-2019	4 099	4 036	
4 940	Emera Inc.	2.900	16-Jun-2023	4 940	4 926	
10 213	Enbridge Gas Distribution Inc.	1.850	24-Apr-2017	10 221	10 241	
3 085	Enbridge Gas Distribution Inc.	5.160	04-Dec-2017	3 284	3 199	
31 622	Enbridge Inc.	4.770	02-Sep-2019	34 550	34 040	
3 779	Enbridge Inc.	4.530	09-Mar-2020	3 912	4 068	
5 397	Enbridge Inc.	4.260	01-Feb-2021	5 789	5 813	
19 040	Enbridge Inc.	3.160	11-Mar-2021	19 293	19 661	
1 285	Enbridge Income Fund	2.920	14-Dec-2017	1 297	1 304	
25 980	Enbridge Income Fund	4.100	22-Feb-2019	27 924	27 210	
50 930	Enbridge Pipelines Inc.	6.620	19-Nov-2018	57 735	55 784	
6 395	Enbridge Pipelines Inc.	4.490	12-Nov-2019	7 029	6 924	
2 237	Enbridge Pipelines Inc.	4.450	06-Apr-2020	2 477	2 425	
14 689	Enbridge Pipelines Inc.	3.790	17-Aug-2023	15 971	15 753	
8 800	Enbridge Pipelines Inc.	6.350	17-Nov-2023	10 755	10 652	
9 301	Enmax Corp.	6.150	19-Jun-2018	10 611	9 839	
3 435	EPCOR Utilities Inc.	5.800	31-Jan-2018	3 950	3 602	
8 641	First Capital Realty Inc.	4.950	30-Nov-2018	9 309	9 135	
2 076	First Capital Realty Inc.	4.430	31-Jan-2022	2 290	2 233	
15 740	Fortis Inc.	2.850	12-Dec-2023	15 791	15 778	
1 135	Gaz Metro Inc.	5.450	12-Jul-2021	1 323	1 311	
28 133	Genesis Trust II	1.675	17-Sep-2018	28 136	28 288	
22 205	Genesis Trust II	2.433	15-May-2019	22 521	22 690	
5 495	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-2021	5 508	5 638	
3 600	H&R Real Estate Investment Trust	3.344	20-Jun-2018	3 674	3 678	
3 614	Hollis Receivables Term Trust II	2.434	26-Jun-2019	3 649	3 693	
4 123	Hollis Receivables Term Trust II	1.788	26-Feb-2020	4 104	4 130	
2 752	Horizon Holdings Inc.	3.033	25-Jul-2022	2 882	2 829	
13 479	Husky Energy Inc.	5.000	12-Mar-2020	14 926	14 608	
23 476	Hydro One Inc.	2.780	09-Oct-2018	23 512	24 076	
33 074	Hydro One Inc.	1.480	18-Nov-2019	33 074	33 113	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
26 220	Hydro One Inc.	1.840	24-Feb-2021	$ 26 215	$ 26 321	
3 165	Industrial Alliance Insurance & Financial Services Inc.	2.800	16-May-2024	3 143	3 196	
2 000	Inter Pipeline Ltd.	3.776	30-May-2022	2 163	2 128	
2 582	John Deere Canada Funding Inc.	1.950	12-Apr-2017	2 575	2 589	
3 275	Loblaw Companies Ltd.	3.748	12-Mar-2019	3 277	3 421	
5 481	Lower Mattagami Energy LP	2.228	23-Oct-2017	5 492	5 531	
5 120	Manitoba Telecom Services Inc.	4.590	01-Oct-2018	5 528	5 381	
7 532	Master Credit Card Trust II	2.723	21-Nov-2018	7 781	7 726	
2 455	National Bank of Canada	1.809	26-Jul-2021	2 455	2 435	
19 400	North West Redwater Partnership	2.100	23-Feb-2022	19 163	19 379	
2 501	Nova Scotia Power Inc.	9.750	02-Aug-2019	3 417	2 973	
17 827	OMERS Realty Corp.	2.498	05-Jun-2018	17 945	18 126	
3 740	OMERS Realty Corp.	2.473	12-Nov-2019	3 740	3 827	
9 050	OMERS Realty Corp.	2.971	05-Apr-2021	9 092	9 427	
12 657	Pembina Pipeline Corp.	4.890	29-Mar-2021	14 052	13 889	
2 000	Pembina Pipeline Corp.	3.770	24-Oct-2022	2 027	2 099	
3 310	RioCan Real Estate Investment Trust	2.870	05-Mar-2018	3 368	3 361	
5 312	Rogers Communications Inc.	3.000	06-Jun-2017	5 374	5 353	
8 615	Rogers Communications Inc.	2.800	13-Mar-2019	8 613	8 838	
14 838	Royal Bank of Canada*	2.820	12-Jul-2018	15 247	15 175	
15 522	Royal Bank of Canada*	2.770	11-Dec-2018	15 952	15 923	
86 550	Royal Bank of Canada*	1.400	26-Apr-2019	86 687	86 569	
1 208	Royal Bank of Canada*	1.590	23-Mar-2020	1 210	1 208	
20 163	Royal Bank of Canada*	1.920	17-Jul-2020	20 378	20 259	
72 730	Royal Bank of Canada*	2.030	15-Mar-2021	73 590	73 003	
31 602	Royal Bank of Canada*	1.650	15-Jul-2021	31 572	31 131	
1 140	Royal Bank of Canada*	1.583	13-Sep-2021	1 117	1 117	
3 000	Royal Bank of Canada*	2.480	04-Jun-2025	2 984	2 971	
28 302	Shaw Communications Inc.	5.700	02-Mar-2017	29 648	28 499	
3 289	Sun Life Financial Inc.	2.770	13-May-2024	3 329	3 338	
516	Sun Life Financial Inc.	3.050	19-Sep-2028	515	516	
26 348	TELUS Corp.	5.050	23-Jul-2020	29 313	29 075	
4 000	TELUS Corp.	3.600	26-Jan-2021	4 191	4 226	
7 493	TELUS Corp.	3.200	05-Apr-2021	7 876	7 786	
33 055	TELUS Corp.	2.350	28-Mar-2022	32 703	32 871	
9 644	Teranet Holdings LP	4.807	16-Dec-2020	10 640	10 427	
8 435	Teranet Holdings LP	3.646	18-Nov-2022	8 435	8 645	
23 047	Thomson Reuters Corp.	3.369	23-May-2019	23 146	23 851	
5 180	TMX Group Ltd.	3.253	03-Oct-2018	5 208	5 327	
35	Toronto Hydro Corp.	5.150	14-Nov-2017	39	36	
674	Toronto Hydro Corp.	4.490	12-Nov-2019	744	730	
8 815	Toronto-Dominion Bank	1.824	03-Apr-2017	8 877	8 836	
40 243	Toronto-Dominion Bank	2.433	15-Aug-2017	40 613	40 588	
9 577	Toronto-Dominion Bank	2.171	02-Apr-2018	9 722	9 691	
16 705	Toronto-Dominion Bank	2.447	02-Apr-2019	17 196	17 068	
143 929	Toronto-Dominion Bank	1.680	08-Jun-2021	144 655	142 936	
19 655	Toronto-Dominion Bank	1.909	18-Jul-2023	19 655	19 126	
5 860	Toronto-Dominion Bank	2.692	24-Jun-2025	5 761	5 849	
4 515	TransCanada PipeLines Ltd.	5.100	11-Jan-2017	4 831	4 517	
4 812	TransCanada PipeLines Ltd.	9.450	20-Mar-2018	6 380	5 236	
3 619	TransCanada PipeLines Ltd.	11.800	20-Nov-2020	5 461	4 864	
1 930	TransCanada PipeLines Ltd.	3.650	15-Nov-2021	2 047	2 078	
4 450	TransCanada PipeLines Ltd.	3.690	19-Jul-2023	4 728	4 774	
6 584	Union Gas Ltd.	9.700	06-Nov-2017	8 354	7 034	
10 000	Union Gas Ltd.	5.350	27-Apr-2018	10 995	10 512	

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 925	Union Gas Ltd.	8.750	03-Aug-2018	$ 2 182	$ 2 132	
6 895	Union Gas Ltd.	2.760	02-Jun-2021	6 893	7 141	
8 210	Union Gas Ltd.	4.850	25-Apr-2022	9 391	9 325	
676	Union Gas Ltd.	3.790	10-Jul-2023	731	733	
5 696	Westcoast Energy Inc.	5.600	16-Jan-2019	6 362	6 113	
3 094	Westcoast Energy Inc.	9.900	10-Jan-2020	4 081	3 761	
8 175	Westcoast Energy Inc.	4.570	02-Jul-2020	8 577	8 838	
4 000	Westcoast Energy Inc.	3.883	28-Oct-2021	4 212	4 267	
4 045	Westcoast Energy Inc.	3.120	05-Dec-2022	4 037	4 139	
				2 146 175	2 129 713	**37.1**
FEDERAL						
9 117	Canada Housing Trust No. 1	4.100	15-Dec-2018	10 006	9 677	
132 137	Canada Housing Trust No. 1	1.950	15-Jun-2019	135 425	135 086	
100 320	Canada Housing Trust No. 1	1.200	15-Jun-2020	100 790	100 145	
68 963	Canada Housing Trust No. 1	1.450	15-Jun-2020	69 754	69 424	
119 241	Canada Housing Trust No. 1	1.250	15-Dec-2020	119 395	118 813	
137 797	Canada Housing Trust No. 1	1.250	15-Jun-2021	138 290	136 646	
132 919	Canada Housing Trust No. 1	1.150	15-Dec-2021	130 181	130 445	
1 300	Government of Canada	1.500	01-Sep-2017	1 307	1 308	
2 950	Government of Canada	1.250	01-Mar-2018	2 983	2 969	
27 762	Government of Canada	0.250	01-May-2018	27 577	27 603	
243 261	Government of Canada	0.500	01-Nov-2018	242 634	242 184	
210 777	Government of Canada	0.500	01-Feb-2019	209 203	209 608	
4 276	Government of Canada	1.750	01-Mar-2019	4 397	4 364	
6 267	Government of Canada	3.750	01-Jun-2019	6 754	6 705	
18 668	Government of Canada	1.750	01-Sep-2019	19 105	19 115	
491	Government of Canada	1.500	01-Mar-2020	500	500	
15 605	Government of Canada	3.500	01-Jun-2020	16 904	16 932	
1 208	Government of Canada	0.750	01-Sep-2020	1 197	1 198	
29 079	Government of Canada	0.750	01-Mar-2021	28 597	28 703	
430	Government of Canada	3.250	01-Jun-2021	468	470	
55 944	Government of Canada	0.750	01-Sep-2021	55 272	55 025	
166 738	Government of Canada	0.500	01-Mar-2022	160 622	160 958	
4 802	Government of Canada	1.500	01-Jun-2023	4 802	4 833	
				1 486 163	1 482 711	**25.8**
PROVINCIAL/MUNICIPAL						
2 743	Ontrea Inc.	4.619	09-Apr-2018	2 745	2 810	
64 507	Province of Alberta	4.000	01-Dec-2019	70 315	69 488	
71 103	Province of Alberta	1.250	01-Jun-2020	70 465	70 758	
42 379	Province of Manitoba	1.550	05-Sep-2021	42 361	42 156	
57 233	Province of Newfoundland and Labrador	1.950	02-Jun-2022	57 049	56 863	
229 965	Province of Ontario	4.400	02-Jun-2019	248 339	247 668	
169 181	Province of Ontario	4.200	02-Jun-2020	188 416	184 840	
66 891	Province of Ontario	3.150	02-Jun-2022	73 350	71 372	
				753 040	745 955	**13.0**
TOTAL CANADIAN BONDS				4 385 378	4 358 379	**75.9**
UNITED KINGDOM BONDS						
38 471	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-2017	38 886	38 878	
4 108	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	4 258	4 245	
TOTAL UNITED KINGDOM BONDS				43 144	43 123	**0.8**

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED STATES BONDS						
17 039	AT&T Inc. CAD	3.825	25-Nov-2020	$ 17 342	$ 17 920	
351	Bank of America Corp. CAD	5.150	30-May-2017	357	356	
2 215	Citigroup Inc. CAD	4.650	11-Oct-2022	2 212	2 988	
9 781	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	9 629	9 664	
17 335	Molson Coors International LP CAD	2.250	18-Sep-2018	17 275	17 500	
14 040	Molson Coors International LP CAD	2.750	18-Sep-2020	14 001	14 276	
23 991	Molson Coors International LP CAD	2.840	15-Jul-2023	24 014	23 719	
26 908	Wells Fargo & Co. CAD	2.222	15-Mar-2021	26 908	26 912	
59 018	Wells Fargo & Co. CAD	2.509	27-Oct-2023	59 069	57 992	
TOTAL UNITED STATES BONDS				170 807	171 327	**3.0**
TOTAL BONDS				4 609 259	4 582 690	**79.9**
MORTGAGE-BACKED SECURITIES						
7 581	Canadian Mortgage Pools	1.700	01-Aug-2017	7 452	7 609	
8 559	Canadian Mortgage Pools	1.500	01-Sep-2017	8 484	8 590	
13 326	Canadian Mortgage Pools	1.950	01-Sep-2017	13 543	13 403	
5 986	Canadian Mortgage Pools	1.500	01-Dec-2017	5 849	6 008	
99	Canadian Mortgage Pools	1.700	01-Dec-2017	99	100	
19 589	Canadian Mortgage Pools	1.650	01-Mar-2018	19 730	19 715	
20 809	Canadian Mortgage Pools	1.650	01-Apr-2018	20 624	20 953	
8 482	Canadian Mortgage Pools	1.670	01-May-2018	8 511	8 546	
11 690	Canadian Mortgage Pools	1.600	01-Mar-2019	11 569	11 769	
19 034	Canadian Mortgage Pools	1.750	01-Aug-2019	18 941	19 200	
14 672	Canadian Mortgage Pools	2.000	01-Sep-2019	14 616	14 865	
10 583	Canadian Mortgage Pools	1.900	01-Nov-2019	10 557	10 701	
8 144	Canadian Mortgage Pools	1.800	01-Dec-2019	8 140	8 217	
10 043	Canadian Mortgage Pools	1.200	01-Feb-2020	10 000	9 988	
16 462	Canadian Mortgage Pools	1.200	01-Jun-2020	16 359	16 325	
17 010	Canadian Mortgage Pools	1.386	01-Sep-2020	16 808	16 914	
15 795	Canadian Mortgage Pools	1.250	01-Dec-2020	15 732	15 642	
46 759	Canadian Mortgage Pools	1.400	01-May-2021	46 826	46 368	
19 423	Canadian Mortgage Pools	1.550	01-Jun-2021	19 512	19 284	
27 864	Canadian Mortgage Pools	1.270	01-Jul-2021	27 689	27 436	
97 043	Canadian Mortgage Pools	1.300	01-Aug-2021	96 372	95 687	
8 486	Canadian Mortgage Pools	1.350	01-Sep-2021	8 417	8 374	
59 333	Canadian Mortgage Pools	1.370	01-Nov-2021	58 680	58 568	
50 223	Canadian Mortgage Pools	1.450	01-Dec-2021	49 709	49 687	
TOTAL MORTGAGE-BACKED SECURITIES				514 219	513 949	**9.0**
MORTGAGES (SCHEDULE A)				584 370	587 755	**10.2**
SHORT-TERM INVESTMENTS†				35 575	35 575	**0.6**
TOTAL INVESTMENTS				$ 5 743 423	5 719 969	**99.7**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					20 208	**0.3**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 5 740 177	**100.0**

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2016

SCHEDULE A
Mortgages

Number of Loans	Interest Rate (%)	Principal 2017	2018	2019	2020	2021	2022	Cost	Fair Value	% of Net Assets
4	2.25-2.49	$ –	$ 35 593	$ 11 772	$ –	$ –	$ –	$ 47 464	$ 47 342	
4	2.50-2.74	–	4 563	874	19 746	–	–	25 247	24 918	
26	2.75-2.99	22 774	19 035	847	38 395	4 031	38 992	124 283	123 479	
17	3.00-3.24	40 126	13 208	11 015	16 601	2 060	–	83 200	83 294	
18	3.25-3.49	8 536	28 688	20 119	14 171	–	1 125	72 898	73 698	
37	3.50-3.74	28 210	24 298	66 439	–	12 469	–	131 800	133 419	
33	3.75-3.99	–	17 096	17 961	2 512	9 518	–	47 210	48 018	
4	4.00-4.24	–	2 408	4 093	4 270	–	–	10 810	11 120	
4	4.25-4.49	3 522	2 659	–	–	–	–	6 213	6 253	
7	4.50-4.74	7 329	–	–	17 923	–	–	25 321	26 120	
2	4.75-4.99	–	5 140	–	–	–	–	5 170	5 303	
–	5.00-5.24	–	–	–	–	–	–	–	–	
1	5.25-5.49	–	1 306	–	–	–	–	1 312	1 353	
1	5.50-5.74	2 963	–	–	–	–	–	2 963	2 963	
–	5.75-5.99	–	–	–	–	–	–	–	–	
1	6.00-6.24	475	–	–	–	–	–	479	475	
159		$ 113 935	$ 153 994	$ 133 120	$ 113 618	$ 28 078	$ 40 117	$ 584 370	$ 587 755	**10.2**

* 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 0.80% to 1.03% and mature between January 3, 2017 and March 10, 2017.

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)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 5 719 969**	$ 5 100 467
Cash	**3 241**	385
Due from investment dealers	**1 963**	4 766
Subscriptions receivable	**3 394**	4 446
Dividends receivable, interest accrued and other assets	**21 885**	24 637
TOTAL ASSETS	**5 750 452**	5 134 701
LIABILITIES		
Due to investment dealers	**–**	5 151
Redemptions payable	**9 684**	6 151
Accounts payable and accrued expenses	**591**	629
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**10 275**	11 931
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 5 740 177**	$ 5 122 770
Investments at cost	**$ 5 743 423**	$ 5 096 878
NAV		
SERIES A	**$ 172 864**	$ 144 831
ADVISOR SERIES	**$ 20 873**	$ 27 136
SERIES H	**$ –**	$ 72 809
SERIES D	**$ 214 040**	$ 220 901
SERIES F	**$ 145 710**	$ 101 384
SERIES I	**$ –**	$ 47 885
SERIES O	**$ 5 186 690**	$ 4 507 824
NAV PER UNIT		
SERIES A	**$ 10.42**	$ 10.49
ADVISOR SERIES	**$ 10.42**	$ 10.49
SERIES H	**$ –**	$ 10.49
SERIES D	**$ 10.38**	$ 10.45
SERIES F	**$ 10.36**	$ 10.43
SERIES I	**$ –**	$ 10.42
SERIES O	**$ 10.09**	$ 10.16

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 139 697**	$ 134 963
Net realized gain (loss) on investments	**(15 041)**	9 782
Net gain (loss) on foreign currencies and other net assets	**404**	
Change in unrealized gain (loss) on investments	**(27 043)**	(8 122)
TOTAL INCOME (LOSS)	**98 017**	136 623
EXPENSES (see notes – Fund Specific Information)		
Management fees	**3 874**	4 313
Administration fees	**2 744**	2 493
Independent Review Committee costs	**2**	3
GST/HST	**674**	681
TOTAL EXPENSES	**7 294**	7 490
INCREASE (DECREASE) IN NAV	**$ 90 723**	$ 129 133
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 850**	$ 2 771
ADVISOR SERIES	**$ 208**	$ 417
SERIES H	**$ 702**	$ 1 320
SERIES D	**$ 2 704**	$ 4 939
SERIES F	**$ 1 403**	$ 2 480
SERIES I	**$ 636**	$ 915
SERIES O	**$ 84 220**	$ 116 291
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.05**	$ 0.17
ADVISOR SERIES	**$ 0.08**	$ 0.17
SERIES H	**$ 0.12**	$ 0.18
SERIES D	**$ 0.13**	$ 0.23
SERIES F	**$ 0.11**	$ 0.22
SERIES I	**$ 0.14**	$ 0.23
SERIES O	**$ 0.18**	$ 0.27

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 90 723**	$ 129 133
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**15 041**	(9 782)
Change in unrealized loss (gain) on investments	**27 043**	8 122
(Increase) decrease in accrued receivables	**2 752**	(2 146)
Increase (decrease) in accrued payables	**(38)**	(48)
Cost of investments purchased	**(14 960 392)**	(14 442 264)
Proceeds on sales of investments	**14 296 458**	13 973 740
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(528 413)**	(343 245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**1 955 134**	1 533 933
Cash paid on redemption of redeemable units	**(1 413 713)**	(1 181 058)
Distributions paid to holders of redeemable units	**(10 152)**	(9 601)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 531 269**	$ 343 274
Net increase (decrease) in cash for the period	**2 856**	29
Cash (bank overdraft), beginning of period	**385**	356
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 3 241**	$ 385
Interest received (paid)	**$ 142 449**	$ 132 817
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

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

For the periods ended December 31	Series A		Advisor Series		Series H		Series D	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 144 831**	$ 172 126	**$ 27 136**	$ 26 702	**$ 72 809**	$ 69 357	**$ 220 901**	$ 227 660
INCREASE (DECREASE) IN NAV	**850**	2 771	**208**	417	**702**	1 320	**2 704**	4 939
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**78 458**	28 725	**7 614**	13 863	**11 154**	25 835	**48 707**	55 639
Reinvestments of distributions to holders of redeemable units	**1 912**	2 482	**310**	389	**302**	653	**3 907**	4 625
Redemption of redeemable units	**(50 986)**	(58 589)	**(14 043)**	(13 780)	**(84 470)**	(23 031)	**(57 972)**	(67 010)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**29 384**	(27 382)	**(6 119)**	472	**(73 014)**	3 457	**(5 358)**	(6 746)
Distributions from net income	**(2 201)**	(2 477)	**(352)**	(422)	**(497)**	(1 235)	**(4 207)**	(4 678)
Distributions from net gains	**–**	(207)	**–**	(33)	**–**	(90)	**–**	(274)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(2 201)**	(2 684)	**(352)**	(455)	**(497)**	(1 325)	**(4 207)**	(4 952)
NET INCREASE (DECREASE) IN NAV	**28 033**	(27 295)	**(6 263)**	434	**(72 809)**	3 452	**(6 861)**	(6 759)
NAV AT END OF PERIOD	**$ 172 864**	$ 144 831	**$ 20 873**	$ 27 136	**$ –**	$ 72 809	**$ 214 040**	$ 220 901

For the periods ended December 31	Series F		Series I		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 101 384**	$ 115 516	**$ 47 885**	$ 35 330	**$ 4 507 824**	$ 4 033 918	**$ 5 122 770**	$ 4 680 609
INCREASE (DECREASE) IN NAV	**1 403**	2 480	**636**	915	**84 220**	116 291	**90 723**	129 133
Early redemption fees	**–**	–	**–**	–	**–**	1	**–**	1
Proceeds from redeemable units issued	**104 157**	50 811	**6 111**	24 210	**1 697 881**	1 309 508	**1 954 082**	1 508 591
Reinvestments of distributions to holders of redeemable units	**1 769**	1 535	**379**	695	**113 510**	115 223	**122 089**	125 602
Redemption of redeemable units	**(60 423)**	(66 776)	**(54 485)**	(12 261)	**(1 094 867)**	(944 516)	**(1 417 246)**	(1 185 963)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**45 503**	(14 430)	**(47 995)**	12 644	**716 524**	480 216	**658 925**	448 231
Distributions from net income	**(2 580)**	(2 055)	**(526)**	(942)	**(121 878)**	(116 068)	**(132 241)**	(127 877)
Distributions from net gains	**–**	(127)	**–**	(62)	**–**	(6 533)	**–**	(7 326)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(2 580)**	(2 182)	**(526)**	(1 004)	**(121 878)**	(122 601)	**(132 241)**	(135 203)
NET INCREASE (DECREASE) IN NAV	**44 326**	(14 132)	**(47 885)**	12 555	**678 866**	473 906	**617 407**	442 161
NAV AT END OF PERIOD	**$ 145 710**	$ 101 384	**$ –**	$ 47 885	**$ 5 186 690**	$ 4 507 824	**$ 5 740 177**	$ 5 122 770

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2016

Effective July 4, 2016, units of the Fund are no longer available for purchase by new investors. Investors who held units of the Fund on July 4, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

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.

All outstanding Series H units were re-designated as Series C units, and then all Series C units were renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016.

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 2016**	December 31 2015
AAA	**41.2**	35.1
AA	**21.5**	28.2
A	**8.6**	7.9
BBB	**18.4**	15.7
Unrated*	**10.3**	13.1
Total	**100.0**	100.0

* Mortgages represent 100% (December 31, 2015 – 100%) of the unrated above. 3.8% (December 31, 2015 – 2.1%) 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 96.2% (December 31, 2015 – 97.9%), 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. As at December 31, 2016 and December 31, 2015, there were no mortgage payments in arrears.

Concentration risk (%)

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

Investment mix	**December 31 2016**	December 31 2015
Corporate Bonds	**41.1**	43.4
Federal Bonds	**25.8**	22.1
Provincial Bonds	**13.0**	14.8
Mortgages	**10.2**	12.9
Mortgage-Backed Bonds	**9.0**	5.1
Cash/Other	**0.9**	1.7
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**10.5**	13.7
1 – 5 years	**76.5**	77.8
5 – 10 years	**13.0**	8.3
> 10 years	**–**	0.2
Total	**100.0**	100.0

As at December 31, 2016, 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 2.9% (December 31, 2015 – 2.8%). 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**5 096 639**	**587 755**	**5 684 394**
Short-term investments	**–**	**35 575**	**–**	**35 575**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**–**	**5 132 214**	**587 755**	**5 719 969**
% of total portfolio	**–**	**89.7**	**10.3**	**100.0**

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	5 034 989	–	5 034 989
Short-term investments	–	65 478	–	65 478
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	5 100 467	–	5 100 467
% of total portfolio	–	100.0	–	100.0

During the periods ended December 31, 2016 and 2015, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2016	December 31 2015
Balance at beginning of period	**–**	–
Net purchases	**117 124**	–
Net sales	**(182 461)**	–
Net transfers in	**660 459**	–
Net transfers out	**–**	–
Realized gains (losses)	**(318)**	–
Unrealized gains (losses)	**(7 049)**	–
Balance at end of period	**587 755**	–

During the year ended December 31, 2016, investments in mortgages of $660,459 were transferred into Level 3 from Level 2 following management's assessment of the significance of the unobservable inputs used to value those investments. Mortgages are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs.

As at December 31, 2016, 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 0.5% (December 31, 2015 – 0.0%).

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series H	0.90%	0.05%
Series D	0.50%	0.05%
Series F	0.40%	0.05%
Series I	0.40%	0.05%
Series O	n/a†	0.05%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 0.90% from 1.00%; and for Series F units were reduced to 0.40% from 0.50%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**53**	52
Advisor Series	**106**	104
Series H	**–**	101
Series D	**55**	54
Series F	**55**	54
Series I	**–**	104
Value of all units	**3**	5

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	14 523
Non-capital losses	–

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

December 31, 2016

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**13 808**	16 394
Issued number of units	**7 463**	2 720
Reinvested number of units	**182**	235
Redeemed number of units	**(4 860)**	(5 541)
Ending number of units	**16 593**	13 808
Advisor Series		
Opening units	**2 586**	2 544
Issued number of units	**724**	1 309
Reinvested number of units	**30**	37
Redeemed number of units	**(1 337)**	(1 304)
Ending number of units	**2 003**	2 586
Series H		
Opening units	**6 943**	6 611
Issued number of units	**1 061**	2 446
Reinvested number of units	**29**	62
Redeemed number of units	**(8 033)**	(2 176)
Ending number of units	**–**	6 943
Series D		
Opening units	**21 137**	21 775
Issued number of units	**4 651**	5 283
Reinvested number of units	**374**	441
Redeemed number of units	**(5 541)**	(6 362)
Ending number of units	**20 621**	21 137
Series F		
Opening units	**9 720**	11 071
Issued number of units	**9 966**	4 835
Reinvested number of units	**170**	147
Redeemed number of units	**(5 789)**	(6 333)
Ending number of units	**14 067**	9 720
Series I		
Opening units	**4 596**	3 390
Issued number of units	**585**	2 306
Reinvested number of units	**36**	66
Redeemed number of units	**(5 217)**	(1 166)
Ending number of units	**–**	4 596
Series O		
Opening units	**443 659**	396 757
Issued number of units	**166 805**	127 741
Reinvested number of units	**11 186**	11 293
Redeemed number of units	**(107 536)**	(92 132)
Ending number of units	**514 114**	443 659

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 2016	December 31 2015
Phillips, Hager & North PRisM Balanced Fund	**14.3**	14.1
RBC Monthly Income Bond Fund	**8.3**	7.4
RBC Select Choices Balanced Portfolio	**0.5**	0.6
RBC Select Choices Conservative Portfolio	**0.4**	0.5
RBC Select Conservative Portfolio	**14.3**	14.8
RBC Select Very Conservative Portfolio	**13.7**	14.1
Total	**51.5**	51.5

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, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
AUSTRALIA BONDS						
10 640	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-2017	$ 10 641	$ 10 779	
TOTAL AUSTRALIA BONDS				10 641	10 779	**0.1**
CANADIAN BONDS						
CORPORATE						
30 215	407 International Inc.	3.870	24-Nov-2017	31 657	30 899	
6 433	Access Prairies Partnership	4.232	01-Mar-2048	6 432	6 393	
2 403	Access Roads Edmonton Ltd.	5.669	30-Sep-2037	2 698	2 814	
2 719	Access Roads Edmonton Ltd.	5.812	30-Sep-2037	3 171	3 223	
6 402	Aéroports de Montréal	6.950	16-Apr-2032	8 679	8 304	
7 182	Alliance Pipeline LP	4.928	16-Dec-2019	7 845	7 555	
19 179	Alliance Pipeline LP	7.181	30-Jun-2023	23 020	21 890	
2 722	Alliance Pipeline LP	5.546	31-Dec-2023	3 018	2 903	
14 413	Alliance Pipeline LP	6.765	31-Dec-2025	17 269	16 328	
11 085	Alliance Pipeline LP	7.217	31-Dec-2025	13 750	12 769	
2 415	Allied Properties Real Estate Investment Trust	3.934	14-Nov-2022	2 422	2 445	
9 870	AltaLink Investments LP	3.674	05-Jun-2019	9 911	10 242	
20 357	AltaLink Investments LP	3.265	05-Jun-2020	20 332	21 033	
12 886	AltaLink Investments LP	2.244	07-Mar-2022	12 886	12 823	
2 549	AltaLink LP	4.922	17-Sep-2043	3 002	3 037	
630	AltaLink LP	4.090	30-Jun-2045	704	664	
4 755	AltaLink LP	3.717	03-Dec-2046	4 755	4 712	
1 895	Bank of Montreal	4.550	01-Aug-2017	2 049	1 933	
5 075	Bank of Montreal	6.020	02-May-2018	5 693	5 391	
24 597	Bank of Montreal	3.120	19-Sep-2024	24 846	24 923	
10 564	Bank of Nova Scotia	2.598	27-Feb-2017	10 743	10 590	
18 663	Bank of Nova Scotia	4.100	08-Jun-2017	19 851	18 912	
1 225	Bank of Nova Scotia	2.370	11-Jan-2018	1 204	1 240	
12 197	Bank of Nova Scotia	1.330	01-May-2018	12 198	12 212	
2 310	bcIMC Realty Corp.	2.650	29-Jun-2017	2 364	2 328	
1 017	BC Tel	9.650	08-Apr-2022	1 380	1 352	
235	Bell Canada	4.370	13-Sep-2017	246	240	
630	Bell Canada	4.400	16-Mar-2018	668	653	
65	Bell Canada	4.880	26-Apr-2018	70	68	
3 700	Bell Canada	3.500	10-Sep-2018	3 849	3 824	
635	Bell Canada	3.000	03-Oct-2022	632	653	
845	Bell Canada	3.550	02-Mar-2026	843	868	
11 715	Bell Canada	2.900	12-Aug-2026	11 618	11 339	
6 325	Bell Canada	7.850	02-Apr-2031	8 995	8 641	
1 928	Blackbird Infrastructure 407 GP	3.760	30-Jun-2047	1 972	1 824	
8 378	Bow Centre Street LP	3.690	14-Jun-2021	8 373	8 342	
3 936	Bow Centre Street LP	3.693	14-Jun-2022	3 944	3 870	
25 925	Bow Centre Street LP	3.797	13-Jun-2023	25 479	25 069	
7 544	Brookfield Asset Management Inc.	4.540	31-Mar-2023	8 059	8 128	
29 977	Brookfield Asset Management Inc.	5.040	08-Mar-2024	30 780	33 045	
38 131	Brookfield Asset Management Inc.	4.820	28-Jan-2026	39 315	41 320	
9 980	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	9 980	10 215	
22 616	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	22 657	22 975	
9 135	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	10 105	10 000	
1 678	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	1 679	1 827	
11 240	Brookfield Renewable Energy Partners ULC	3.752	02-Jun-2025	11 704	11 386	
5 760	Brookfield Renewable Energy Partners ULC	3.630	15-Jan-2027	5 759	5 636	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
10 955	Bruce Power LP	2.844	23-Jun-2021	$ 10 981	$ 11 134	
11 840	Bruce Power LP	3.969	23-Jun-2026	12 189	12 189	
12 185	Cameco Corp.	5.670	02-Sep-2019	13 674	13 060	
15 956	Cameco Corp.	3.750	14-Nov-2022	16 124	16 057	
25 980	Cameco Corp.	4.190	24-Jun-2024	26 003	26 185	
61 511	Canadian Imperial Bank of Commerce	3.000	28-Oct-2024	61 677	62 062	
6 095	Canadian Utilities Ltd.	9.400	01-May-2023	9 040	8 511	
2 600	Centra Gas Ontario Inc.	8.650	19-Oct-2018	3 506	2 903	
17 492	Choice Properties LP	3.600	20-Apr-2020	17 895	18 270	
1 708	Choice Properties Real Estate Investment Trust	3.498	08-Feb-2021	1 708	1 784	
800	CI Financial Corp.	2.645	07-Dec-2020	800	803	
1 000	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	1 000	1 020	
5 624	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	5 799	5 824	
5 740	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	6 117	6 071	
8 001	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	8 020	8 248	
16 577	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	16 595	16 900	
9 265	Cominar Real Estate Investment Trust	4.247	23-May-2023	9 265	9 368	
8 525	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	8 525	8 740	
7 407	Crombie Real Estate Investment Trust	2.775	10-Feb-2020	7 390	7 333	
9 323	Crombie Real Estate Investment Trust	3.962	01-Jun-2021	9 491	9 501	
7 834	Crosslinx Transit Solutions GP	4.555	30-Jun-2051	7 812	7 247	
4 500	CU Inc.	6.145	22-Nov-2017	5 337	4 698	
5 390	CU Inc.	11.770	30-Nov-2020	8 209	7 334	
13 965	CU Inc.	9.920	01-Apr-2022	21 598	19 042	
14 712	CU Inc.	6.215	06-Mar-2024	17 709	18 155	
5 830	CU Inc.	5.563	26-May-2028	7 202	7 081	
5 007	CU Inc.	5.896	20-Nov-2034	6 825	6 378	
10 418	CU Inc.	5.556	30-Oct-2037	12 552	13 069	
2 224	CU Inc.	4.947	18-Nov-2050	2 568	2 665	
2 582	CU Inc.	3.857	14-Nov-2052	2 809	2 567	
12 575	CU Inc.	4.558	07-Nov-2053	13 572	14 168	
20 780	CU Inc.	4.094	19-Oct-2054	20 781	21 562	
10 535	CU Inc.	4.211	29-Oct-2055	10 543	11 162	
5 552	Dufferin Wind Power Inc.	4.317	30-Nov-2033	5 553	5 494	
14 936	Eagle Credit Card Trust	2.849	17-Oct-2018	14 936	15 318	
19 456	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	19 678	19 566	
1 458	Emera Inc.	4.830	02-Dec-2019	1 597	1 573	
15 065	Enbridge Gas Distribution Inc.	1.850	24-Apr-2017	15 062	15 106	
4 232	Enbridge Gas Distribution Inc.	5.160	04-Dec-2017	4 684	4 389	
5 505	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	5 835	5 973	
17 215	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	19 500	19 475	
12 375	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	12 436	12 960	
10 735	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	10 758	10 454	
1 305	Enbridge Gas Distribution Inc.	6.160	16-Dec-2033	1 758	1 684	
8 421	Enbridge Gas Distribution Inc.	5.210	25-Feb-2036	10 501	9 992	
9 650	Enbridge Gas Distribution Inc.	4.500	23-Nov-2043	11 005	10 710	
1 240	Enbridge Gas Distribution Inc.	4.000	22-Aug-2044	1 275	1 275	
1 855	Enbridge Gas Distribution Inc.	4.950	22-Nov-2050	2 255	2 201	
15 353	Enbridge Inc.	4.770	02-Sep-2019	16 459	16 527	
11 491	Enbridge Inc.	4.530	09-Mar-2020	12 270	12 371	
14 569	Enbridge Inc.	4.260	01-Feb-2021	15 061	15 692	
4 211	Enbridge Inc.	3.160	11-Mar-2021	4 272	4 348	
1 445	Enbridge Inc.	3.940	30-Jun-2023	1 484	1 535	
1 875	Enbridge Inc.	6.100	14-Jul-2028	2 093	2 116	
3 610	Enbridge Inc.	7.200	18-Jun-2032	4 890	4 608	
4 631	Enbridge Inc.	5.750	02-Sep-2039	5 215	5 309	
2 757	Enbridge Inc.	5.120	28-Sep-2040	2 993	2 927	
3 015	Enbridge Income Fund	2.920	14-Dec-2017	3 030	3 059	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
3 285	Enbridge Income Fund	4.100	22-Feb-2019	$ 3 434	$ 3 441	
1 610	Enbridge Income Fund	3.950	19-Nov-2024	1 642	1 701	
2 055	Enbridge Income Fund	4.870	21-Nov-2044	2 106	2 106	
2 690	Enbridge Pipelines Inc.	6.620	19-Nov-2018	2 980	2 946	
9 006	Enbridge Pipelines Inc.	2.930	30-Nov-2022	9 078	9 279	
920	Enbridge Pipelines Inc.	3.790	17-Aug-2023	991	987	
3 140	Enbridge Pipelines Inc.	6.350	17-Nov-2023	3 739	3 801	
7 542	Enbridge Pipelines Inc.	8.200	15-Feb-2024	10 213	9 856	
49 540	Enbridge Pipelines Inc.	3.450	29-Sep-2025	50 265	51 476	
30 586	Enbridge Pipelines Inc.	3.000	10-Aug-2026	30 836	30 327	
1 100	Enbridge Pipelines Inc.	5.080	19-Dec-2036	1 264	1 216	
18 354	Enbridge Pipelines Inc.	5.330	06-Apr-2040	21 201	21 142	
6 936	Enbridge Pipelines Inc.	4.550	17-Aug-2043	7 853	7 231	
15 163	Enbridge Pipelines Inc.	4.550	29-Sep-2045	15 512	15 775	
14 168	Enbridge Pipelines Inc.	4.130	09-Aug-2046	14 197	13 828	
16 435	Enbridge Southern Lights LP	4.014	30-Jun-2040	16 430	16 334	
17 000	Enersource Corp.	4.521	29-Apr-2021	17 802	18 683	
21 769	Enmax Corp.	6.150	19-Jun-2018	24 704	23 027	
20 435	Fortis Inc.	2.850	12-Dec-2023	20 459	20 484	
2 060	FortisAlberta Inc.	5.850	15-Apr-2038	2 622	2 651	
4 332	FortisAlberta Inc.	4.850	11-Sep-2043	5 342	5 023	
3 965	FortisAlberta Inc.	3.340	21-Sep-2046	3 958	3 586	
448	FortisAlberta Inc.	4.800	27-Oct-2050	513	519	
1 860	FortisBC Energy Inc.	5.550	25-Sep-2036	2 187	2 322	
5 332	FortisBC Energy Inc.	6.000	02-Oct-2037	7 098	7 020	
4 225	FortisBC Energy Inc.	5.800	13-May-2038	5 861	5 447	
2 420	FortisBC Energy Inc.	5.200	06-Dec-2040	2 435	2 928	
9 985	Gaz Metro Inc.	4.930	18-Jun-2019	11 144	10 819	
6 035	Gaz Metro Inc.	5.450	12-Jul-2021	7 003	6 971	
2 500	Gaz Metro Inc.	9.000	16-May-2025	3 777	3 585	
43 231	Genesis Trust II	2.295	15-Feb-2017	43 231	43 294	
55 005	Genesis Trust II	1.675	17-Sep-2018	55 010	55 309	
48 220	Genesis Trust II	2.433	15-May-2019	48 588	49 272	
947	George Weston Ltd.	6.690	01-Mar-2033	1 069	1 155	
7 545	Grand Renewable Solar LP	3.926	31-Jan-2035	7 545	7 477	
4 552	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-2021	4 553	4 671	
3 432	Great Lakes Power Ltd.	6.600	16-Jun-2023	3 952	3 979	
55 047	Great-West Lifeco Finance Delaware LP	5.691	21-Jun-2067	54 011	54 652	
1 625	Great-West Lifeco Finance Delaware LP II	7.127	26-Jun-2068	1 769	1 740	
1 880	Greater Toronto Airports Authority	6.470	02-Feb-2034	2 646	2 588	
554	Greater Toronto Airports Authority	5.300	25-Feb-2041	709	702	
30 743	Hollis Receivables Term Trust II	2.434	26-Jun-2019	30 823	31 417	
10 883	Horizon Holdings Inc.	3.033	25-Jul-2022	10 866	11 189	
10 702	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	12 572	11 946	
24 655	Husky Energy Inc.	3.550	12-Mar-2025	23 891	24 950	
12 460	Hydro One Inc.	1.480	18-Nov-2019	12 460	12 475	
15 100	Hydro One Inc.	1.620	30-Apr-2020	15 157	15 104	
7 250	Hydro One Inc.	1.840	24-Feb-2021	7 274	7 278	
2 183	Hydro One Inc.	7.350	03-Jun-2030	3 119	3 058	
280	Hydro One Inc.	6.930	01-Jun-2032	413	387	
1 369	Hydro One Inc.	6.350	31-Jan-2034	1 825	1 826	
2 377	Hydro One Inc.	6.030	03-Mar-2039	3 132	3 154	
1 555	Hydro One Inc.	6.590	22-Apr-2043	2 321	2 255	
5 025	Hydro One Inc.	4.590	09-Oct-2043	6 146	5 686	
7 320	Hydro One Inc.	3.720	18-Nov-2047	7 320	7 195	
20 798	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	20 785	20 516	
780	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	864	850	
14 200	Kingston Solar LP	3.571	31-Jul-2035	14 200	13 665	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
6 630	Lower Mattagami Energy LP	2.228	23-Oct-2017	$ 6 628	$ 6 691	
9 294	Lower Mattagami Energy LP	4.331	18-May-2021	10 296	10 233	
5 215	Lower Mattagami Energy LP	2.307	21-Oct-2026	5 215	4 988	
10 360	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	10 358	10 979	
1 045	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	1 045	1 065	
8 240	Master Credit Card Trust	2.626	21-Jan-2017	8 355	8 245	
16 146	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	16 148	16 482	
8 350	Mountain View Partners GP	3.974	31-Mar-2051	8 350	7 766	
11 683	North Battleford Power LP	4.958	31-Dec-2032	11 739	12 884	
5 313	North West Redwater Partnership	3.200	22-Jul-2024	5 189	5 518	
10 358	North West Redwater Partnership	3.200	24-Apr-2026	10 341	10 557	
13 485	North West Redwater Partnership	4.250	01-Jun-2029	13 520	14 438	
16 290	North West Redwater Partnership	4.150	01-Jun-2033	16 265	17 055	
13 575	North West Redwater Partnership	4.750	01-Jun-2037	13 825	15 225	
5 015	North West Redwater Partnership	4.350	10-Jan-2039	5 010	5 304	
5 804	North West Redwater Partnership	4.050	22-Jul-2044	5 689	5 923	
4 537	Northland Power Solar Finance One LP	4.397	30-Jun-2032	4 537	4 753	
6 286	Nova Gas Transmission Ltd.	9.900	16-Dec-2024	9 442	9 149	
3 285	Nova Gas Transmission Ltd.	8.900	27-May-2025	4 969	4 548	
2 625	Nova Gas Transmission Ltd.	8.875	27-May-2026	3 744	3 571	
8 500	Nova Scotia Power Inc.	9.750	02-Aug-2019	11 904	10 103	
9 597	Nova Scotia Power Inc.	8.850	19-May-2025	14 405	13 465	
1 268	Nova Scotia Power Inc.	5.670	14-Nov-2035	1 529	1 558	
4 875	Nova Scotia Power Inc.	5.950	27-Jul-2039	6 331	6 316	
4 125	Nova Scotia Power Inc.	5.610	15-Jun-2040	5 525	5 159	
1 448	OMERS Realty Corp.	2.498	05-Jun-2018	1 447	1 472	
7 705	OMERS Realty Corp.	2.473	12-Nov-2019	7 705	7 885	
12 047	Pembina Pipeline Corp.	3.770	24-Oct-2022	12 522	12 645	
21 482	Pembina Pipeline Corp.	3.540	03-Feb-2025	21 421	21 861	
11 450	Pembina Pipeline Corp.	3.710	11-Aug-2026	11 445	11 564	
11 343	Pembina Pipeline Corp.	4.750	30-Apr-2043	11 240	11 221	
6 718	Plenary Health Hamilton LP	5.796	31-May-2043	8 644	8 090	
10 462	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	11 318	11 134	
8 374	PowerStream Inc.	3.239	21-Nov-2024	8 540	8 650	
8 465	PSS Generating Station LP	4.795	24-Oct-2067	8 465	8 743	
13 850	Ridley Grain Ltd.	5.227	01-Aug-2024	13 850	14 863	
61	RioCan Real Estate Investment Trust	2.870	05-Mar-2018	62	62	
10 342	Rogers Communications Inc.	5.380	04-Nov-2019	11 525	11 372	
22 530	Royal Bank of Canada*	2.820	12-Jul-2018	23 113	23 041	
14 759	Royal Bank of Canada*	2.770	11-Dec-2018	15 168	15 140	
230 645	Royal Bank of Canada*	1.400	26-Apr-2019	231 070	230 696	
35 507	Royal Bank of Canada*	2.350	09-Dec-2019	36 126	36 236	
26 565	Royal Bank of Canada*	1.590	23-Mar-2020	26 764	26 558	
27 453	Royal Bank of Canada*	2.030	15-Mar-2021	27 490	27 556	
27 503	Royal Bank of Canada*	1.650	15-Jul-2021	27 411	27 093	
11 845	Royal Bank of Canada*	1.583	13-Sep-2021	11 845	11 606	
17 454	Royal Bank of Canada*	3.040	17-Jul-2024	17 503	17 635	
10 105	SEC LP and Arci Ltd.	5.188	29-Aug-2033	10 128	10 593	
9 075	SGTP Highway Bypass LP	4.105	31-Jan-2045	9 076	9 141	
5 235	Sun Life Financial Inc.	2.770	13-May-2024	5 296	5 313	
2 630	TELUS Corp.	5.050	23-Jul-2020	2 925	2 902	
4 445	TELUS Corp.	2.350	28-Mar-2022	4 405	4 420	
6 163	TELUS Corp.	5.150	26-Nov-2043	6 521	6 564	
33 535	TELUS Corp.	4.850	05-Apr-2044	33 503	34 266	
15 977	TELUS Corp.	4.750	17-Jan-2045	15 945	16 083	
32 728	Teranet Holdings LP	4.807	16-Dec-2020	34 584	35 385	
11 979	Teranet Holdings LP	3.646	18-Nov-2022	11 979	12 277	
18 313	Teranet Holdings LP	5.754	17-Dec-2040	20 029	19 666	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
12 960	TMX Group Ltd.	3.253	03-Oct-2018	$ 12 993	$ 13 329	
6 610	TMX Group Ltd.	4.461	03-Oct-2023	6 630	7 207	
6 900	Toromont Industries Ltd.	3.710	30-Sep-2025	6 900	6 930	
6 042	Toronto Hydro Corp.	5.150	14-Nov-2017	6 831	6 252	
3 619	Toronto Hydro Corp.	4.490	12-Nov-2019	3 984	3 918	
8 595	Toronto Hydro Corp.	3.540	18-Nov-2021	9 294	9 244	
35 689	Toronto-Dominion Bank	2.433	15-Aug-2017	36 025	35 995	
153 835	Toronto-Dominion Bank	1.680	08-Jun-2021	154 651	152 774	
26 560	Toronto-Dominion Bank	1.909	18-Jul-2023	26 561	25 845	
35 292	Toronto-Dominion Bank	2.692	24-Jun-2025	34 707	35 226	
25 660	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	25 835	26 119	
21 990	TransEd Partners GP	3.951	30-Sep-2050	20 339	19 752	
31 125	Union Gas Ltd.	5.350	27-Apr-2018	35 965	32 720	
14 896	Union Gas Ltd.	8.750	03-Aug-2018	19 119	16 494	
9 682	Union Gas Ltd.	8.650	10-Nov-2025	13 643	13 717	
10 009	Union Gas Ltd.	2.810	01-Jun-2026	10 091	10 002	
2 000	Union Gas Ltd.	6.050	02-Sep-2038	2 651	2 636	
2 000	Union Gas Ltd.	5.200	23-Jul-2040	2 424	2 420	
6 059	Union Gas Ltd.	4.200	02-Jun-2044	6 799	6 410	
11 150	Union Gas Ltd.	3.800	01-Jun-2046	11 409	11 039	
6 009	Vancouver Fraser Port Authority	4.630	20-Apr-2020	6 815	6 519	
3 910	Westcoast Energy Inc.	5.600	16-Jan-2019	4 311	4 196	
9 898	Westcoast Energy Inc.	3.883	28-Oct-2021	10 544	10 558	
1 476	Westcoast Energy Inc.	3.120	05-Dec-2022	1 375	1 510	
14 604	Westcoast Energy Inc.	3.770	08-Dec-2025	14 847	15 119	
3 692	Westcoast Energy Inc.	6.750	15-Dec-2027	4 754	4 566	
1 465	Westcoast Energy Inc.	7.150	20-Mar-2031	1 931	1 861	
4 091	Westcoast Energy Inc.	4.791	28-Oct-2041	4 389	4 231	
4 850	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	4 851	5 004	
5 427	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	5 610	6 582	
				3 165 121	3 156 775	**30.4**
FEDERAL						
114 944	Canada Housing Trust No. 1	1.250	15-Dec-2020	114 701	114 533	
125 248	Canada Housing Trust No. 1	3.350	15-Dec-2020	136 836	134 865	
265 659	Canada Housing Trust No. 1	1.250	15-Jun-2021	266 308	263 442	
94 271	Canada Housing Trust No. 1	1.150	15-Dec-2021	92 516	92 517	
92 689	Canada Housing Trust No. 1	2.650	15-Mar-2022	98 823	97 565	
40 006	Canada Housing Trust No. 1	3.150	15-Sep-2023	44 383	43 326	
81 587	Canada Housing Trust No. 1	2.900	15-Jun-2024	89 725	86 979	
3 668	CBC Monetization Trust	4.688	15-May-2027	3 707	4 167	
7 680	Government of Canada	1.500	01-Sep-2017	7 754	7 725	
3 370	Government of Canada	1.250	01-Mar-2018	3 396	3 393	
11 000	Government of Canada	1.750	01-Mar-2019	11 221	11 229	
5 300	Government of Canada	3.750	01-Jun-2019	5 753	5 671	
6 316	Government of Canada	1.750	01-Sep-2019	6 489	6 467	
8 710	Government of Canada	1.500	01-Mar-2020	8 990	8 865	
37 822	Government of Canada	3.500	01-Jun-2020	41 861	41 039	
163 916	Government of Canada	0.750	01-Sep-2020	164 365	162 493	
165 626	Government of Canada	0.750	01-Mar-2021	165 995	163 485	
30 334	Government of Canada	3.250	01-Jun-2021	33 424	33 144	
458 955	Government of Canada	0.750	01-Sep-2021	458 895	451 420	
453 289	Government of Canada	0.500	01-Mar-2022	442 708	437 576	
90 364	Government of Canada	2.750	01-Jun-2022	100 098	97 406	
41 725	Government of Canada	1.500	01-Jun-2023	43 284	41 991	
1 265	Government of Canada	2.500	01-Jun-2024	1 384	1 352	
24 923	Government of Canada	1.500	01-Jun-2026	24 652	24 457	
17 892	Government of Canada	5.750	01-Jun-2029	25 078	25 247	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
FEDERAL (cont.)						
46 040	Government of Canada	5.000	01-Jun-2037	$ 67 984	$ 66 195	
68 027	Government of Canada	3.500	01-Dec-2045	88 122	84 574	
30 014	Government of Canada	1.250	01-Dec-2047	35 009	36 405	
172 842	Government of Canada	2.750	01-Dec-2048	188 981	189 921	
				2 772 442	2 737 449	**26.4**
PROVINCIAL/MUNICIPAL						
4 071	Access Justice Durham Ltd.	5.015	31-Aug-2039	4 481	4 610	
3 890	City of Ottawa	4.600	14-Jul-2042	4 623	4 548	
4 245	City of Ottawa	3.100	27-Jul-2048	4 201	3 854	
5 555	City of Toronto	2.450	06-Feb-2025	5 540	5 495	
4 175	City of Vancouver	2.900	20-Nov-2025	4 257	4 236	
10 730	City of Vancouver	2.700	15-Dec-2026	10 717	10 654	
8 107	Hospital for Sick Children	5.217	16-Dec-2049	8 082	10 053	
391	Hydro-Quebec	11.000	15-Aug-2020	627	521	
2 660	McGill University	6.150	22-Sep-2042	3 736	3 639	
4 205	Municipal Finance Authority of British Columbia	3.350	01-Jun-2022	4 200	4 491	
33 717	Ontario Electricity Financial Corp.	8.500	26-May-2025	48 025	48 847	
6 576	Ontario Electricity Financial Corp.	9.000	26-May-2025	10 075	9 770	
57 493	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	79 547	84 291	
7 078	Ontrea Inc.	4.619	09-Apr-2018	7 115	7 250	
11 295	OPB Finance Trust	2.950	02-Feb-2026	11 293	11 450	
115 081	Province of Alberta	2.350	01-Jun-2025	117 239	114 394	
8 719	Province of Alberta	3.500	01-Jun-2031	9 518	9 123	
14 444	Province of Alberta	3.900	01-Dec-2033	15 781	15 717	
29 955	Province of Alberta	3.450	01-Dec-2043	33 305	30 610	
69 973	Province of Alberta	3.300	01-Dec-2046	73 787	69 839	
7 778	Province of Manitoba	4.050	05-Sep-2045	8 498	8 693	
92 822	Province of Manitoba	2.850	05-Sep-2046	85 474	83 473	
16 350	Province of New Brunswick	3.650	03-Jun-2024	18 142	17 788	
19 710	Province of New Brunswick	4.800	26-Sep-2039	25 638	23 526	
7 865	Province of New Brunswick	4.800	03-Jun-2041	9 525	9 442	
16 009	Province of New Brunswick	3.550	03-Jun-2043	15 501	16 002	
39 492	Province of New Brunswick	3.800	14-Aug-2045	42 141	41 278	
31 531	Province of Newfoundland and Labrador	3.300	17-Oct-2046	29 535	28 757	
27 918	Province of Ontario	4.200	02-Jun-2020	30 690	30 502	
125 220	Province of Ontario	2.850	02-Jun-2023	134 266	131 207	
115 862	Province of Ontario	8.100	08-Sep-2023	163 449	158 820	
8 275	Province of Ontario	7.500	07-Feb-2024	11 518	11 136	
123 950	Province of Ontario	3.500	02-Jun-2024	139 818	134 617	
101 666	Province of Ontario	8.500	02-Dec-2025	151 622	149 995	
87 906	Province of Ontario	2.400	02-Jun-2026	90 148	87 271	
361 249	Province of Ontario	7.600	02-Jun-2027	526 920	525 750	
160 361	Province of Ontario	6.200	02-Jun-2031	226 140	220 497	
119 241	Province of Ontario	5.600	02-Jun-2035	165 529	159 920	
48 773	Province of Ontario	4.700	02-Jun-2037	61 505	59 684	
171 500	Province of Ontario	4.600	02-Jun-2039	225 273	208 917	
14 610	Province of Ontario	4.650	02-Jun-2041	19 696	18 077	
246 206	Province of Ontario	3.500	02-Jun-2043	260 434	257 481	
28 322	Province of Ontario	3.450	02-Jun-2045	30 940	29 443	
209 055	Province of Ontario	2.900	02-Dec-2046	203 087	195 940	
29 199	Province of Ontario	2.800	02-Jun-2048	28 726	26 886	
50 077	Province of Quebec	9.375	16-Jan-2023	75 782	71 017	
10 770	Province of Quebec	2.750	01-Sep-2025	11 486	11 054	
105 615	Province of Quebec	8.500	01-Apr-2026	162 939	156 722	
68 563	Province of Quebec	6.000	01-Oct-2029	90 182	91 305	
9 071	Province of Quebec	5.000	01-Dec-2041	11 755	11 735	
12 775	Province of Quebec	3.500	01-Dec-2045	13 996	13 341	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
16 900	Province of Quebec	3.500	01-Dec-2048	$ 17 795	$ 17 808	
16 187	Province of Saskatchewan	2.550	02-Jun-2026	16 267	16 180	
3 730	Province of Saskatchewan	5.750	05-Mar-2029	5 213	4 792	
4 517	Province of Saskatchewan	6.400	05-Sep-2031	6 879	6 248	
22 439	Province of Saskatchewan	3.900	02-Jun-2045	27 375	24 674	
28 328	Province of Saskatchewan	2.750	02-Dec-2046	27 577	25 168	
21 708	South Coast British Columbia Transportation Authority	3.800	02-Nov-2020	22 110	23 363	
6 405	South Coast British Columbia Transportation Authority	4.450	09-Jun-2044	7 465	7 331	
9 030	University of Ottawa	3.256	12-Oct-2056	9 030	7 970	
4 400	University of Toronto	4.937	16-Nov-2045	5 820	5 238	
				3 672 035	3 582 440	**34.5**
TOTAL CANADIAN BONDS				9 609 598	9 476 664	**91.3**
UNITED KINGDOM BONDS						
56 576	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-2017	57 034	57 175	
4 200	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	4 220	4 340	
TOTAL UNITED KINGDOM BONDS				61 254	61 515	**0.6**
UNITED STATES BONDS						
3 475	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-2023	3 476	3 628	
45 860	AT&T Inc. CAD	3.825	25-Nov-2020	46 782	48 232	
23 860	Bank of America Corp. CAD	3.228	22-Jun-2022	24 605	24 540	
4 995	Citigroup Inc. CAD	4.650	11-Oct-2022	4 990	6 737	
18 036	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	17 532	17 820	
5 000	Molson Coors International LP CAD	3.950	06-Oct-2017	5 154	5 094	
12 940	Molson Coors International LP CAD	2.250	18-Sep-2018	12 910	13 063	
29 600	Molson Coors International LP CAD	2.750	18-Sep-2020	29 429	30 097	
15 490	Molson Coors International LP CAD	2.840	15-Jul-2023	15 519	15 314	
22 895	Molson Coors International LP CAD	3.440	15-Jul-2026	22 949	22 436	
30 565	Wells Fargo & Co. CAD	2.222	15-Mar-2021	30 565	30 569	
68 350	Wells Fargo & Co. CAD	2.509	27-Oct-2023	68 471	67 161	
2 200	Wells Fargo & Co. CAD	3.874	21-May-2025	2 310	2 260	
42 735	Wells Fargo & Co. CAD	2.975	19-May-2026	42 906	41 725	
TOTAL UNITED STATES BONDS				327 598	328 676	**3.2**
TOTAL BONDS				10 009 091	9 877 634	**95.2**
MORTGAGE-BACKED SECURITIES						
7 596	Equitable Bank	4.350	01-Jan-2018	7 895	7 819	
3 886	Peoples Trust	4.200	01-Oct-2019	3 915	4 142	
TOTAL MORTGAGE-BACKED SECURITIES				11 810	11 961	**0.1**
MORTGAGES						
CMHC Insured						
21 339	4.980% Jan 01, 2018			21 339	22 084	
23 341	5.040% Jan 01, 2019			23 490	24 845	
530	2.980% Jul 01, 2019			530	541	
1 981	4.860% Jun 05, 2020			2 008	2 163	
3 797	4.260% Nov 01, 2022			3 797	4 155	
TOTAL MORTGAGES				51 164	53 788	**0.5**
SHORT-TERM INVESTMENTS†				376 197	376 197	**3.6**
TOTAL INVESTMENTS				$10 448 262	10 319 580	**99.4**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					65 327	**0.6**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$10 384 907	**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 0.80% to 1.04% and mature between January 3, 2017 and May 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 10 319 580**	$ 8 818 565
Cash	**11 142**	321
Due from investment dealers	**55 390**	15 089
Subscriptions receivable	**10 542**	9 578
Dividends receivable, interest accrued and other assets	**51 839**	50 971
TOTAL ASSETS	**10 448 493**	8 894 524
LIABILITIES		
Due to investment dealers	**8 882**	11 863
Redemptions payable	**54 040**	5 201
Accounts payable and accrued expenses	**664**	668
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**63 586**	17 732
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 10 384 907**	$ 8 876 792
Investments at cost	**$ 10 448 262**	$ 8 742 411
NAV		
SERIES A	**$ 101 217**	$ 112 560
ADVISOR SERIES	**$ 46 859**	$ 44 408
SERIES D	**$ 600 761**	$ 616 099
SERIES F	**$ 104 591**	$ 94 082
SERIES O	**$ 9 531 479**	$ 8 009 643
NAV PER UNIT		
SERIES A	**$ 10.32**	$ 10.51
ADVISOR SERIES	**$ 10.32**	$ 10.52
SERIES D	**$ 10.23**	$ 10.43
SERIES F	**$ 10.28**	$ 10.48
SERIES O	**$ 10.24**	$ 10.44

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 308 697**	$ 295 894
Net realized gain (loss) on investments	**100 662**	187 652
Net gain (loss) on foreign currencies and other net assets	**1 166**	(4 019)
Change in unrealized gain (loss) on investments	**(204 836)**	(146 691)
TOTAL INCOME (LOSS)	**205 689**	332 836
EXPENSES (see notes – Fund Specific Information)		
Management fees	**5 133**	5 196
Administration fees	**2 210**	2 019
Independent Review Committee costs	**2**	3
GST/HST	**743**	731
TOTAL EXPENSES	**8 088**	7 949
INCREASE (DECREASE) IN NAV	**$ 197 601**	$ 324 887
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 1 564**	$ 3 183
ADVISOR SERIES	**$ 660**	$ 960
SERIES D	**$ 11 763**	$ 19 951
SERIES F	**$ 1 747**	$ 2 564
SERIES O	**$ 181 867**	$ 298 229
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.15**	$ 0.29
ADVISOR SERIES	**$ 0.14**	$ 0.29
SERIES D	**$ 0.20**	$ 0.35
SERIES F	**$ 0.18**	$ 0.35
SERIES O	**$ 0.22**	$ 0.42

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 197 601**	$ 324 887
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**(827)**	–
Net realized loss (gain) on investments	**(100 662)**	(187 652)
Change in unrealized loss (gain) on investments	**204 836**	146 691
(Increase) decrease in accrued receivables	**(868)**	1 350
Increase (decrease) in accrued payables	**(4)**	(28)
Cost of investments purchased	**(20 924 089)**	(27 729 461)
Proceeds on sales of investments	**19 276 445**	27 519 536
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(1 347 568)**	75 323
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**2 641 702**	1 804 193
Cash paid on redemption of redeemable units	**(1 271 214)**	(1 865 946)
Distributions paid to holders of redeemable units	**(12 099)**	(13 571)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 1 358 389**	$ (75 324)
Net increase (decrease) in cash for the period	**10 821**	(1)
Cash (bank overdraft), beginning of period	**321**	322
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 11 142**	$ 321
Interest received (paid)	**$ 307 002**	$ 297 244
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 112 560**	$ 117 482	**$ 44 408**	$ 35 732	**$ 616 099**	$ 622 449	**$ 94 082**	$ 78 952
INCREASE (DECREASE) IN NAV	**1 564**	3 183	**660**	960	**11 763**	19 951	**1 747**	2 564
Early redemption fees	**–**	–	**–**	–	**–**	1	**–**	1
Proceeds from redeemable units issued	**11 975**	20 716	**15 882**	16 596	**55 436**	61 616	**35 292**	36 766
Reinvestments of distributions to holders of redeemable units	**3 185**	5 153	**1 411**	1 795	**21 672**	31 002	**3 251**	3 979
Redemption of redeemable units	**(24 698)**	(28 576)	**(13 943)**	(8 681)	**(81 270)**	(86 152)	**(25 806)**	(23 407)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(9 538)**	(2 707)	**3 350**	9 710	**(4 162)**	6 467	**12 737**	17 339
Distributions from net income	**(2 173)**	(2 641)	**(1 004)**	(901)	**(15 796)**	(17 530)	**(2 734)**	(2 479)
Distributions from net gains	**(1 196)**	(2 757)	**(555)**	(1 093)	**(7 143)**	(15 238)	**(1 241)**	(2 294)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(3 369)**	(5 398)	**(1 559)**	(1 994)	**(22 939)**	(32 768)	**(3 975)**	(4 773)
NET INCREASE (DECREASE) IN NAV	**(11 343)**	(4 922)	**2 451**	8 676	**(15 338)**	(6 350)	**10 509**	15 130
NAV AT END OF PERIOD	**$ 101 217**	$ 112 560	**$ 46 859**	$ 44 408	**$ 600 761**	$ 616 099	**$ 104 591**	$ 94 082

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2016	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 8 009 643**	$ 7 782 781	**$ 8 876 792**	$ 8 637 396
INCREASE (DECREASE) IN NAV	**181 867**	298 229	**197 601**	324 887
Early redemption fees	**–**	–	**–**	2
Proceeds from redeemable units issued	**2 524 081**	1 655 565	**2 642 666**	1 791 259
Reinvestments of distributions to holders of redeemable units	**382 605**	452 343	**412 124**	494 272
Redemption of redeemable units	**(1 174 336)**	(1 716 365)	**(1 320 053)**	(1 863 181)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**1 732 350**	391 543	**1 734 737**	422 352
Distributions from net income	**(278 182)**	(265 728)	**(299 889)**	(289 279)
Distributions from net gains	**(114 199)**	(197 182)	**(124 334)**	(218 564)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(392 381)**	(462 910)	**(424 223)**	(507 843)
NET INCREASE (DECREASE) IN NAV	**1 521 836**	226 862	**1 508 115**	239 396
NAV AT END OF PERIOD	**$ 9 531 479**	$ 8 009 643	**$ 10 384 907**	$ 8 876 792

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

Effective July 4, 2016, units of the Fund are no longer available for purchase by new investors. Investors who held units of the Fund on July 4, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
AAA	**33.9**	27.5
AA	**33.7**	38.5
A	**15.9**	15.2
BBB	**15.8**	18.1
Unrated*	**0.7**	0.7
Total	**100.0**	100.0

* Mortgages, which represent 78.1% (December 31, 2015 – 93.1%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. As at December 31, 2016 and December 31, 2015, there were no mortgage payments in arrears.

Concentration risk (%)

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

Investment mix	**December 31 2016**	December 31 2015
Corporate Bonds	**34.3**	37.0
Provincial Bonds	**33.8**	36.7
Federal Bonds	**26.4**	19.4
Municipal Bonds	**0.7**	0.3
Mortgages	**0.5**	0.6
Mortgage-Backed Bonds	**0.1**	0.3
Cash/Other	**4.2**	5.7
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**3.9**	4.0
1 – 5 years	**30.9**	32.1
5 – 10 years	**31.6**	27.5
> 10 years	**33.6**	36.4
Total	**100.0**	100.0

As at December 31, 2016, 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 7.5% (December 31, 2015 – 7.3%). 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**9 889 595**	**53 788**	**9 943 383**
Short-term investments	**–**	**376 197**	**–**	**376 197**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**–**	**10 265 792**	**53 788**	**10 319 580**
% of total portfolio	**–**	**99.5**	**0.5**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	8 370 783	–	8 370 783
Short-term investments	–	447 782	–	447 782
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	8 818 565	–	8 818 565
% of total portfolio	–	100.0	–	100.0

During the periods ended December 31, 2016 and 2015, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2016	December 31 2015
Balance at beginning of period	**–**	–
Net purchases	**16**	–
Net sales	**(1 347)**	–
Net transfers in	**56 975**	–
Net transfers out	**–**	–
Realized gains (losses)	**(5)**	–
Unrealized gains (losses)	**(1 851)**	–
Balance at end of period	**53 788**	–

During the year ended December 31, 2016, investments in mortgages of $56,975 were transferred into Level 3 from Level 2 following management's assessment of the significance of the unobservable inputs used to value those investments. Mortgages are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs.

As at December 31, 2016, 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, 2015 – 0.0%).

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series D	0.50%†	0.05%
Series F	0.40%	0.05%
Series O	n/a‡	0.02%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 0.90% from 1.00%; and for Series F units were reduced to 0.40% from 0.50%.

† 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

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**59**	57
Advisor Series	**117**	114
Series D	**11**	10
Series F	**61**	59
Value of all units	**3**	3

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**10 707**	10 944
Issued number of units	**1 122**	1 905
Reinvested number of units	**303**	484
Redeemed number of units	**(2 323)**	(2 626)
Ending number of units	**9 809**	10 707
Advisor Series		
Opening units	**4 222**	3 328
Issued number of units	**1 491**	1 524
Reinvested number of units	**134**	169
Redeemed number of units	**(1 308)**	(799)
Ending number of units	**4 539**	4 222
Series D		
Opening units	**59 095**	58 463
Issued number of units	**5 242**	5 688
Reinvested number of units	**2 079**	2 931
Redeemed number of units	**(7 700)**	(7 987)
Ending number of units	**58 716**	59 095

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)	**2016**	2015
Series F		
Opening units	**8 981**	7 380
Issued number of units	**3 314**	3 385
Reinvested number of units	**310**	374
Redeemed number of units	**(2 433)**	(2 158)
Ending number of units	**10 172**	8 981
Series O		
Opening units	**767 022**	729 576
Issued number of units	**238 015**	152 710
Reinvested number of units	**36 670**	42 677
Redeemed number of units	**(111 210)**	(157 941)
Ending number of units	**930 497**	767 022

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 2016	December 31 2015
BonaVista Balanced Fund	**0.1**	0.1
BonaVista Global Balanced Fund	**–**	–
BonaVista Private Balanced Fund	**0.1**	0.1
Phillips, Hager & North Balanced Fund	**3.0**	3.0
Phillips, Hager & North Balanced Pension Trust	**4.1**	4.8
Phillips, Hager & North LifeTime 2015 Fund	**–**	–
RBC Select Conservative Portfolio	**5.8**	6.4
RBC Select Very Conservative Portfolio	**16.1**	17.5
Total	**29.2**	31.9

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
AUSTRALIA BONDS						
239	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-2017	$ 239	$ 242	
TOTAL AUSTRALIA BONDS				239	242	**0.1**
CANADIAN BONDS						
CORPORATE						
120	Access Prairies Partnership	4.232	01-Mar-2048	120	119	
316	Aéroports de Montréal	6.950	16-Apr-2032	429	410	
250	AltaLink LP	3.717	03-Dec-2046	250	248	
270	Bank of Montreal	4.550	01-Aug-2017	287	275	
45	Bank of Montreal	2.240	11-Dec-2017	46	45	
90	Bank of Montreal	6.020	02-May-2018	101	96	
240	Bank of Montreal	3.120	19-Sep-2024	242	243	
155	Bank of Montreal	3.340	08-Dec-2025	155	158	
2 362	Bank of Nova Scotia	1.330	01-May-2018	2 357	2 365	
60	BC Tel	9.650	08-Apr-2022	81	80	
415	Bell Canada	4.370	13-Sep-2017	435	424	
80	Bell Canada	4.880	26-Apr-2018	86	84	
460	Bell Canada	3.000	03-Oct-2022	458	473	
405	Bell Canada	3.550	02-Mar-2026	404	416	
210	Bow Centre Street LP	3.690	14-Jun-2021	210	209	
74	Bow Centre Street LP	3.693	14-Jun-2022	74	72	
330	Bow Centre Street LP	3.797	13-Jun-2023	325	319	
790	Brookfield Asset Management Inc.	4.540	31-Mar-2023	859	851	
950	Brookfield Asset Management Inc.	5.040	08-Mar-2024	993	1 047	
180	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	180	184	
359	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	359	365	
135	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	149	148	
198	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	200	216	
232	Brookfield Renewable Energy Partners ULC	3.630	15-Jan-2027	233	227	
115	Bruce Power LP	2.844	23-Jun-2021	115	117	
290	Bruce Power LP	3.969	23-Jun-2026	295	299	
735	Cameco Corp.	5.670	02-Sep-2019	825	788	
445	Cameco Corp.	4.190	24-Jun-2024	445	449	
85	Canadian Credit Card Trust II	1.829	24-Mar-2020	85	85	
850	Canadian Imperial Bank of Commerce	3.000	28-Oct-2024	851	858	
458	Choice Properties Real Estate Investment Trust	3.498	08-Feb-2021	464	478	
910	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	965	962	
149	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	149	154	
175	Cominar Real Estate Investment Trust	4.247	23-May-2023	175	177	
210	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	210	215	
120	Crosslinx Transit Solutions GP	4.555	30-Jun-2051	116	111	
125	CU Inc.	9.920	01-Apr-2022	193	170	
120	CU Inc.	3.763	19-Nov-2046	120	120	
555	CU Inc.	4.947	18-Nov-2050	655	665	
270	CU Inc.	3.857	14-Nov-2052	294	268	
320	CU Inc.	4.558	07-Nov-2053	327	361	
360	CU Inc.	4.094	19-Oct-2054	360	374	
190	CU Inc.	4.211	29-Oct-2055	190	201	
102	Dufferin Wind Power Inc.	4.317	30-Nov-2033	102	101	
289	Eagle Credit Card Trust	2.849	17-Oct-2018	289	296	
355	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	359	357	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
350	Emera Inc.	4.830	02-Dec-2019	$ 376	$ 377	
980	Enbridge Inc.	3.940	30-Jun-2023	1 050	1 041	
135	Enbridge Income Fund	3.950	19-Nov-2024	143	143	
3 750	Enbridge Pipelines Inc.	3.000	10-Aug-2026	3 732	3 718	
270	Enersource Corp.	4.521	29-Apr-2021	270	297	
350	Enmax Corp.	6.150	19-Jun-2018	398	370	
375	Fortis Inc.	2.850	12-Dec-2023	375	376	
70	FortisAlberta Inc.	5.400	21-Apr-2036	85	85	
35	FortisAlberta Inc.	5.850	15-Apr-2038	45	45	
70	FortisAlberta Inc.	3.340	21-Sep-2046	70	63	
75	FortisBC Energy Inc.	5.800	13-May-2038	104	97	
185	FortisBC Inc.	5.900	04-Jul-2047	243	247	
915	Gaz Metro Inc.	4.930	18-Jun-2019	1 043	991	
1 180	Genesis Trust II	1.675	17-Sep-2018	1 180	1 187	
143	Grand Renewable Solar LP	3.926	31-Jan-2035	143	142	
949	Great-West Lifeco Finance Delaware LP	5.691	21-Jun-2067	931	942	
150	Greater Toronto Airports Authority	7.050	12-Jun-2030	186	208	
171	Horizon Holdings Inc.	3.033	25-Jul-2022	171	176	
446	Husky Energy Inc.	3.550	12-Mar-2025	431	451	
230	Hydro One Inc.	1.480	18-Nov-2019	230	230	
475	Hydro One Inc.	1.620	30-Apr-2020	475	475	
120	Hydro One Inc.	6.930	01-Jun-2032	177	166	
250	Hydro One Inc.	6.350	31-Jan-2034	325	333	
135	Hydro One Inc.	3.720	18-Nov-2047	135	133	
1 173	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	1 182	1 157	
265	Kingston Solar LP	3.571	31-Jul-2035	265	255	
105	Lower Mattagami Energy LP	4.331	18-May-2021	115	116	
95	Lower Mattagami Energy LP	2.307	21-Oct-2026	95	91	
75	Lower Mattagami Energy LP	5.139	18-May-2041	98	91	
145	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	145	154	
33	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	34	34	
298	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	298	304	
150	Mountain View Partners GP	3.974	31-Mar-2051	150	140	
219	North Battleford Power LP	4.958	31-Dec-2032	220	242	
980	North West Redwater Partnership	4.250	01-Jun-2029	976	1 049	
305	North West Redwater Partnership	4.150	01-Jun-2033	305	319	
105	North West Redwater Partnership	4.750	01-Jun-2037	104	118	
100	North West Redwater Partnership	4.350	10-Jan-2039	100	106	
385	North West Redwater Partnership	4.050	22-Jul-2044	356	393	
90	Northland Power Solar Finance One LP	4.397	30-Jun-2032	90	95	
205	Nova Scotia Power Inc.	5.670	14-Nov-2035	253	252	
170	Nova Scotia Power Inc.	4.500	20-Jul-2043	193	185	
225	OMERS Realty Corp.	2.971	05-Apr-2021	225	234	
350	Pembina Pipeline Corp.	3.540	03-Feb-2025	351	356	
205	Pembina Pipeline Corp.	3.710	11-Aug-2026	205	207	
415	Pembina Pipeline Corp.	4.750	30-Apr-2043	370	411	
762	PowerStream Inc.	3.239	21-Nov-2024	811	787	
155	PSS Generating Station LP	4.795	24-Oct-2067	155	160	
195	Ridley Grain Ltd.	5.227	01-Aug-2024	195	209	
512	RioCan Real Estate Investment Trust	2.870	05-Mar-2018	524	520	
370	Royal Bank of Canada*	2.820	12-Jul-2018	380	378	
1 154	Royal Bank of Canada*	2.770	11-Dec-2018	1 189	1 184	
6 100	Royal Bank of Canada*	1.400	26-Apr-2019	6 115	6 101	
325	Royal Bank of Canada*	1.590	23-Mar-2020	328	325	
920	Royal Bank of Canada*	1.650	15-Jul-2021	921	906	
187	SEC LP and Arci Ltd.	5.188	29-Aug-2033	187	196	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
165	SGTP Highway Bypass LP	4.105	31-Jan-2045	$ 165	$ 166	
90	Sun Life Financial Inc.	2.770	13-May-2024	91	91	
696	TELUS Corp.	4.750	17-Jan-2045	699	701	
828	Teranet Holdings LP	4.807	16-Dec-2020	892	895	
400	Teranet Holdings LP	3.646	18-Nov-2022	409	410	
209	Teranet Holdings LP	5.754	17-Dec-2040	220	224	
285	TMX Group Ltd.	3.253	03-Oct-2018	285	293	
170	TMX Group Ltd.	4.461	03-Oct-2023	170	185	
130	Toromont Industries Ltd.	3.710	30-Sep-2025	130	131	
2 895	Toronto-Dominion Bank	1.680	08-Jun-2021	2 910	2 875	
620	Toronto-Dominion Bank	1.909	18-Jul-2023	620	603	
1 395	Toronto-Dominion Bank	2.692	24-Jun-2025	1 390	1 392	
405	TransCanada PipeLines Ltd.	9.450	20-Mar-2018	543	441	
475	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	477	483	
410	TransEd Partners GP	3.951	30-Sep-2050	379	368	
105	Union Gas Ltd.	9.700	06-Nov-2017	144	112	
135	Union Gas Ltd.	8.750	03-Aug-2018	179	149	
957	Union Gas Ltd.	3.790	10-Jul-2023	983	1 038	
670	Union Gas Ltd.	2.810	01-Jun-2026	688	670	
740	Union Gas Ltd.	4.200	02-Jun-2044	753	783	
250	Union Gas Ltd.	3.800	01-Jun-2046	255	248	
80	Westcoast Energy Inc.	5.600	16-Jan-2019	88	86	
95	Westcoast Energy Inc.	3.883	28-Oct-2021	95	101	
1 095	Westcoast Energy Inc.	3.770	08-Dec-2025	1 132	1 134	
70	Westcoast Energy Inc.	6.750	15-Dec-2027	90	87	
179	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	184	217	
				59 841	59 931	**31.3**
FEDERAL						
1 366	Canada Housing Trust No. 1	1.250	15-Dec-2020	1 360	1 361	
1 403	Canada Housing Trust No. 1	3.350	15-Dec-2020	1 520	1 511	
5 232	Canada Housing Trust No. 1	1.250	15-Jun-2021	5 247	5 188	
1 291	Canada Housing Trust No. 1	1.150	15-Dec-2021	1 267	1 267	
1 831	Canada Housing Trust No. 1	2.650	15-Mar-2022	1 952	1 927	
24	Canada Housing Trust No. 1	3.150	15-Sep-2023	26	26	
2 351	Canada Housing Trust No. 1	2.900	15-Jun-2024	2 565	2 506	
67	CBC Monetization Trust	4.688	15-May-2027	69	76	
1 000	First Nations Finance Authority	3.400	26-Jun-2024	1 062	1 047	
60	Government of Canada	1.250	01-Mar-2018	60	60	
90	Government of Canada	3.750	01-Jun-2019	97	96	
531	Government of Canada	3.500	01-Jun-2020	584	577	
3 350	Government of Canada	0.750	01-Sep-2020	3 355	3 322	
3 189	Government of Canada	0.750	01-Mar-2021	3 199	3 148	
1 205	Government of Canada	3.250	01-Jun-2021	1 352	1 317	
9 588	Government of Canada	0.750	01-Sep-2021	9 609	9 431	
9 265	Government of Canada	0.500	01-Mar-2022	9 046	8 944	
1 403	Government of Canada	2.750	01-Jun-2022	1 561	1 512	
200	Government of Canada	2.500	01-Jun-2024	216	214	
9	Government of Canada	2.250	01-Jun-2025	10	9	
187	Government of Canada	1.500	01-Jun-2026	186	184	
559	Government of Canada	5.750	01-Jun-2029	785	789	
355	Government of Canada	5.000	01-Jun-2037	528	510	
1 706	Government of Canada	3.500	01-Dec-2045	2 225	2 121	
557	Government of Canada	1.250	01-Dec-2047	651	676	
2 839	Government of Canada	2.750	01-Dec-2048	3 119	3 120	
				51 651	50 939	**26.7**

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL						
119	Access Justice Durham Ltd.	5.015	31-Aug-2039	$ 131	$ 135	
74	City of Ottawa	3.100	27-Jul-2048	73	67	
200	City of Vancouver	2.700	15-Dec-2026	200	199	
260	Hospital for Sick Children	5.217	16-Dec-2049	267	322	
99	Municipal Finance Authority of British Columbia	3.350	01-Jun-2022	99	106	
602	Ontario Electricity Financial Corp.	8.500	26-May-2025	923	872	
145	Ontario Electricity Financial Corp.	9.000	26-May-2025	223	215	
1 019	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	1 509	1 494	
226	Ontrea Inc.	4.619	09-Apr-2018	229	231	
1 710	Province of Alberta	2.350	01-Jun-2025	1 743	1 700	
163	Province of Alberta	3.500	01-Jun-2031	178	171	
296	Province of Alberta	3.900	01-Dec-2033	323	322	
692	Province of Alberta	3.450	01-Dec-2043	759	707	
1 282	Province of Alberta	3.300	01-Dec-2046	1 346	1 280	
139	Province of Manitoba	4.050	05-Sep-2045	152	155	
1 622	Province of Manitoba	2.850	05-Sep-2046	1 478	1 459	
199	Province of New Brunswick	3.650	03-Jun-2024	220	216	
319	Province of New Brunswick	4.800	26-Sep-2039	416	381	
192	Province of New Brunswick	4.800	03-Jun-2041	234	230	
312	Province of New Brunswick	3.550	03-Jun-2043	305	312	
712	Province of New Brunswick	3.800	14-Aug-2045	754	744	
577	Province of Newfoundland and Labrador	3.300	17-Oct-2046	540	526	
542	Province of Ontario	4.200	02-Jun-2020	596	592	
3 536	Province of Ontario	2.850	02-Jun-2023	3 760	3 705	
2 152	Province of Ontario	8.100	08-Sep-2023	3 036	2 950	
142	Province of Ontario	7.500	07-Feb-2024	198	191	
3 308	Province of Ontario	3.500	02-Jun-2024	3 681	3 593	
1 713	Province of Ontario	8.500	02-Dec-2025	2 512	2 527	
1 153	Province of Ontario	2.400	02-Jun-2026	1 189	1 145	
7 037	Province of Ontario	7.600	02-Jun-2027	10 330	10 241	
3 287	Province of Ontario	6.200	02-Jun-2031	4 641	4 520	
2 340	Province of Ontario	5.600	02-Jun-2035	3 268	3 138	
1 413	Province of Ontario	4.700	02-Jun-2037	1 808	1 729	
2 528	Province of Ontario	4.600	02-Jun-2039	3 342	3 080	
267	Province of Ontario	4.650	02-Jun-2041	360	330	
4 642	Province of Ontario	3.500	02-Jun-2043	4 906	4 855	
526	Province of Ontario	3.450	02-Jun-2045	569	547	
3 552	Province of Ontario	2.900	02-Dec-2046	3 414	3 329	
108	Province of Ontario	2.800	02-Jun-2048	111	99	
874	Province of Quebec	9.375	16-Jan-2023	1 331	1 239	
19	Province of Quebec	2.750	01-Sep-2025	20	20	
2 290	Province of Quebec	8.500	01-Apr-2026	3 514	3 398	
904	Province of Quebec	6.000	01-Oct-2029	1 196	1 204	
170	Province of Quebec	5.000	01-Dec-2041	220	220	
383	Province of Quebec	3.500	01-Dec-2045	427	400	
340	Province of Quebec	3.500	01-Dec-2048	351	358	
302	Province of Saskatchewan	2.550	02-Jun-2026	303	302	
57	Province of Saskatchewan	5.750	05-Mar-2029	80	73	
84	Province of Saskatchewan	6.400	05-Sep-2031	128	116	
476	Province of Saskatchewan	3.900	02-Jun-2045	578	523	
447	Province of Saskatchewan	2.750	02-Dec-2046	435	397	
517	South Coast British Columbia Transportation Authority	3.800	02-Nov-2020	523	556	
120	South Coast British Columbia Transportation Authority	4.450	09-Jun-2044	140	137	
170	University of Ottawa	3.256	12-Oct-2056	170	150	
				69 239	67 508	**35.3**
TOTAL CANADIAN BONDS				180 731	178 378	**93.3**

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED KINGDOM BONDS						
2 780	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-2017	$ 2 818	$ 2 809	
140	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	140	145	
TOTAL UNITED KINGDOM BONDS				2 958	2 954	**1.5**
UNITED STATES BONDS						
846	AT&T Inc. CAD	3.825	25-Nov-2020	878	890	
TOTAL UNITED STATES BONDS				878	890	**0.5**
TOTAL BONDS				184 806	182 464	**95.4**
MORTGAGE-BACKED SECURITIES						
238	Equitable Bank	4.350	01-Jan-2018	249	245	
123	Peoples Trust	4.200	01-Oct-2019	125	131	
TOTAL MORTGAGE-BACKED SECURITIES				374	376	**0.2**
SHORT-TERM INVESTMENTS†				7 599	7 599	**4.0**
TOTAL INVESTMENTS				$ 192 779	190 439	**99.6**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					786	**0.4**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 191 225	**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 0.80% to 0.93% and mature between January 4, 2017 and January 23, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 190 439**	$ 161 184
Cash	**253**	103
Due from investment dealers	**124**	161
Subscriptions receivable	**35**	92
Dividends receivable, interest accrued and other assets	**925**	918
TOTAL ASSETS	**191 776**	162 458
LIABILITIES		
Due to investment dealers	**–**	163
Redemptions payable	**517**	17
Accounts payable and accrued expenses	**34**	33
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**551**	213
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 191 225**	$ 162 245
Investments at cost	**$ 192 779**	$ 159 740
NAV		
SERIES A	**$ 7 707**	$ 7 551
ADVISOR SERIES	**$ 6 296**	$ 5 392
SERIES D	**$ 20 010**	$ 20 695
SERIES F	**$ 9 855**	$ 7 246
SERIES O	**$ 147 357**	$ 121 361
NAV PER UNIT		
SERIES A	**$ 10.85**	$ 11.06
ADVISOR SERIES	**$ 10.85**	$ 11.06
SERIES D	**$ 10.76**	$ 10.97
SERIES F	**$ 10.81**	$ 11.02
SERIES O	**$ 10.63**	$ 10.84

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 5 541**	$ 5 272
Net realized gain (loss) on investments	**2 063**	3 256
Net gain (loss) on foreign currencies and other net assets	**(1)**	(71)
Change in unrealized gain (loss) on investments	**(3 784)**	(2 347)
TOTAL INCOME (LOSS)	**3 819**	6 110
EXPENSES (see notes – Fund Specific Information)		
Management fees	**280**	255
Administration fees	**91**	77
Independent Review Committee costs	**2**	3
GST/HST	**33**	31
TOTAL EXPENSES	**406**	366
INCREASE (DECREASE) IN NAV	**$ 3 413**	$ 5 744
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 98**	$ 187
ADVISOR SERIES	**$ 56**	$ 113
SERIES D	**$ 391**	$ 633
SERIES F	**$ 62**	$ 162
SERIES O	**$ 2 806**	$ 4 649
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.14**	$ 0.30
ADVISOR SERIES	**$ 0.10**	$ 0.30
SERIES D	**$ 0.20**	$ 0.35
SERIES F	**$ 0.08**	$ 0.36
SERIES O	**$ 0.23**	$ 0.42

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 3 413**	$ 5 744
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**(12)**	–
Net realized loss (gain) on investments	**(2 063)**	(3 256)
Change in unrealized loss (gain) on investments	**3 784**	2 347
(Increase) decrease in accrued receivables	**(7)**	46
Increase (decrease) in accrued payables	**1**	2
Cost of investments purchased	**(842 496)**	(731 371)
Proceeds on sales of investments	**811 406**	724 881
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(25 974)**	(1 607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**48 543**	34 002
Cash paid on redemption of redeemable units	**(20 807)**	(30 460)
Distributions paid to holders of redeemable units	**(1 612)**	(1 922)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 26 124**	$ 1 620
Net increase (decrease) in cash for the period	**150**	13
Cash (bank overdraft), beginning of period	**103**	90
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 253**	$ 103
Interest received (paid)	**$ 5 522**	$ 5 318
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 7 551**	$ 6 941	**$ 5 392**	$ 3 959	**$ 20 695**	$ 18 979	**$ 7 246**	$ 4 983
INCREASE (DECREASE) IN NAV	**98**	187	**56**	113	**391**	633	**62**	162
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**1 146**	1 768	**1 597**	2 034	**2 474**	3 600	**3 966**	3 435
Reinvestments of distributions to holders of redeemable units	**236**	317	**186**	215	**651**	829	**173**	220
Redemption of redeemable units	**(1 075)**	(1 332)	**(740)**	(710)	**(3 423)**	(2 333)	**(1 259)**	(1 222)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**307**	753	**1 043**	1 539	**(298)**	2 096	**2 880**	2 433
Distributions from net income	**(151)**	(163)	**(115)**	(102)	**(517)**	(545)	**(205)**	(171)
Distributions from net gains	**(98)**	(167)	**(80)**	(117)	**(261)**	(468)	**(128)**	(161)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(249)**	(330)	**(195)**	(219)	**(778)**	(1 013)	**(333)**	(332)
NET INCREASE (DECREASE) IN NAV	**156**	610	**904**	1 433	**(685)**	1 716	**2 609**	2 263
NAV AT END OF PERIOD	**$ 7 707**	$ 7 551	**$ 6 296**	$ 5 392	**$ 20 010**	$ 20 695	**$ 9 855**	$ 7 246

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 121 361**	$ 119 158	**$ 162 245**	$ 154 020
INCREASE (DECREASE) IN NAV	**2 806**	4 649	**3 413**	5 744
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**39 303**	23 023	**48 486**	33 860
Reinvestments of distributions to holders of redeemable units	**4 705**	5 086	**5 951**	6 667
Redemption of redeemable units	**(14 810)**	(23 860)	**(21 307)**	(29 457)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**29 198**	4 249	**33 130**	11 070
Distributions from net income	**(4 127)**	(3 957)	**(5 115)**	(4 938)
Distributions from net gains	**(1 881)**	(2 738)	**(2 448)**	(3 651)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(6 008)**	(6 695)	**(7 563)**	(8 589)
NET INCREASE (DECREASE) IN NAV	**25 996**	2 203	**28 980**	8 225
NAV AT END OF PERIOD	**$ 147 357**	$ 121 361	**$ 191 225**	$ 162 245

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

Effective July 4, 2016, units of the Fund are no longer available for purchase by new investors. Investors who held units of the Fund on July 4, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
AAA	**33.6**	28.0
AA	**34.8**	41.4
A	**17.1**	16.2
BBB	**14.5**	14.4
Total	**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 2016**	December 31 2015
Provincial Bonds	**34.7**	36.6
Corporate Bonds	**33.4**	36.3
Federal Bonds	**26.7**	20.1
Municipal Bonds	**0.6**	0.4
Mortgage-Backed Bonds	**0.2**	0.4
Cash/Other	**4.4**	6.2
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**3.1**	4.8
1 – 5 years	**30.5**	32.1
5 – 10 years	**32.8**	25.8
> 10 years	**33.6**	37.3
Total	**100.0**	100.0

As at December 31, 2016, 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 7.5% (December 31, 2015 – 7.3%). 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**182 840**	**–**	**182 840**
Short-term investments	**–**	**7 599**	**–**	**7 599**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**–**	**190 439**	**–**	**190 439**
% of total portfolio	**–**	**100.0**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	152 288	–	152 288
Short-term investments	–	8 896	–	8 896
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	161 184	–	161 184
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series D	0.50%	0.05%
Series F	0.40%	0.05%
Series O	n/a†	0.05%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 0.90% from 1.00%; and for Series F units were reduced to 0.40% from 0.50%.
† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**56**	54
Advisor Series	**111**	108
Series D	**64**	62
Series F	**58**	56
Series O	**61**	58
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, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**683**	617
Issued number of units	**103**	155
Reinvested number of units	**21**	28
Redeemed number of units	**(96)**	(117)
Ending number of units	**711**	683
Advisor Series		
Opening units	**488**	352
Issued number of units	**142**	179
Reinvested number of units	**17**	19
Redeemed number of units	**(66)**	(62)
Ending number of units	**581**	488
Series D		
Opening units	**1 886**	1 700
Issued number of units	**224**	317
Reinvested number of units	**59**	75
Redeemed number of units	**(310)**	(206)
Ending number of units	**1 859**	1 886
Series F		
Opening units	**658**	445
Issued number of units	**351**	301
Reinvested number of units	**16**	20
Redeemed number of units	**(113)**	(108)
Ending number of units	**912**	658
Series O		
Opening units	**11 192**	10 801
Issued number of units	**3 578**	2 057
Reinvested number of units	**434**	463
Redeemed number of units	**(1 346)**	(2 129)
Ending number of units	**13 858**	11 192

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 2016	December 31 2015
Phillips, Hager & North Community Values Balanced Fund	**14.7**	13.9

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, 2016

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
6 963 683	Phillips, Hager & North High Yield Bond Fund*	$ 76 254	$ 80 723	
4 178 532	RBC High Yield Bond Fund*	44 326	45 299	
TOTAL MUTUAL FUND UNITS		120 580	126 022	**1.6**

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-2017	$ 9 077	$ 9 083	
TOTAL AUSTRALIA BONDS				9 077	9 083	**0.1**
CANADIAN BONDS						
CORPORATE						
17 833	407 International Inc.	3.870	24-Nov-2017	18 746	18 237	
5 340	Access Prairies Partnership	4.232	01-Mar-2048	5 340	5 307	
5 271	Aéroports de Montréal	6.950	16-Apr-2032	7 146	6 838	
655	Aéroports de Montréal	6.611	11-Apr-2033	680	839	
2 050	Alliance Pipeline LP	4.928	16-Dec-2019	2 213	2 157	
16 545	Alliance Pipeline LP	7.181	30-Jun-2023	19 902	18 883	
2 180	Alliance Pipeline LP	5.546	31-Dec-2023	2 427	2 325	
16 484	Alliance Pipeline LP	6.765	31-Dec-2025	19 167	18 674	
11 249	Alliance Pipeline LP	7.217	31-Dec-2025	13 495	12 958	
4 960	Allied Properties Real Estate Investment Trust	3.934	14-Nov-2022	4 974	5 023	
6 157	AltaGas Ltd.	4.070	01-Jun-2020	6 566	6 542	
17 207	AltaLink Investments LP	3.674	05-Jun-2019	17 909	17 855	
14 695	AltaLink Investments LP	3.265	05-Jun-2020	14 968	15 183	
17 887	AltaLink Investments LP	2.244	07-Mar-2022	17 908	17 799	
3 355	AltaLink LP	5.381	26-Mar-2040	4 281	4 194	
2 632	AltaLink LP	4.462	08-Nov-2041	2 864	2 928	
6 048	AltaLink LP	4.054	21-Nov-2044	6 862	6 345	
2 910	AltaLink LP	4.090	30-Jun-2045	3 250	3 066	
4 227	AltaLink LP	3.717	03-Dec-2046	4 227	4 188	
13 000	Bank of Montreal	5.450	17-Jul-2017	13 853	13 308	
13 080	Bank of Montreal	4.550	01-Aug-2017	13 901	13 343	
9 173	Bank of Montreal	2.240	11-Dec-2017	9 379	9 271	
3 195	Bank of Montreal	6.020	02-May-2018	3 584	3 394	
2 720	Bank of Montreal	3.210	13-Sep-2018	2 820	2 805	
20 900	Bank of Montreal	3.120	19-Sep-2024	21 075	21 177	
4 900	Bank of Montreal	3.320	01-Jun-2026	4 994	4 981	
7 576	Bank of Nova Scotia	2.598	27-Feb-2017	7 704	7 594	
23 252	Bank of Nova Scotia	1.330	01-May-2018	23 250	23 280	
4 220	BC Tel	9.650	08-Apr-2022	5 700	5 612	
4 556	bcIMC Realty Corp.	2.650	29-Jun-2017	4 662	4 591	
4 220	Bell Canada	4.370	13-Sep-2017	4 424	4 312	
9 623	Bell Canada	3.500	10-Sep-2018	10 021	9 945	
15 000	Bell Canada	5.520	26-Feb-2019	16 552	16 226	
4 052	Bell Canada	3.540	12-Jun-2020	4 285	4 268	
371	Bell Canada	2.000	01-Oct-2021	370	367	
9 720	Bell Canada	3.550	02-Mar-2026	9 693	9 982	
1 345	Bell Canada	2.900	12-Aug-2026	1 333	1 302	
5 725	Bow Centre Street LP	3.690	14-Jun-2021	5 731	5 700	
4 113	Bow Centre Street LP	3.693	14-Jun-2022	4 117	4 044	

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December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
17 010	Bow Centre Street LP	3.797	13-Jun-2023	$ 16 874	$ 16 449	
12 847	Brookfield Asset Management Inc.	4.540	31-Mar-2023	13 760	13 841	
8 525	Brookfield Asset Management Inc.	5.040	08-Mar-2024	8 812	9 398	
42 380	Brookfield Asset Management Inc.	4.820	28-Jan-2026	44 406	45 924	
2 405	Brookfield Asset Management Inc.	3.800	16-Mar-2027	2 404	2 387	
10 820	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	10 834	11 075	
22 150	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	21 971	22 502	
8 565	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	9 475	9 376	
5 504	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	5 902	5 992	
5 000	Brookfield Renewable Energy Partners ULC	3.752	02-Jun-2025	5 204	5 065	
98	Brookfield Renewable Energy Partners ULC	3.630	15-Jan-2027	98	96	
5 065	Bruce Power LP	2.844	23-Jun-2021	5 065	5 148	
13 675	Bruce Power LP	3.969	23-Jun-2026	13 920	14 078	
7 649	Cameco Corp.	5.670	02-Sep-2019	8 642	8 198	
9 778	Cameco Corp.	3.750	14-Nov-2022	9 886	9 840	
24 320	Cameco Corp.	4.190	24-Jun-2024	24 722	24 512	
8 585	Canadian Credit Card Trust II	1.829	24-Mar-2020	8 584	8 603	
32 969	Canadian Imperial Bank of Commerce	3.000	28-Oct-2024	32 920	33 265	
1 000	Centra Gas Ontario Inc.	8.650	19-Oct-2018	1 243	1 116	
5 755	Choice Properties LP	3.000	20-Apr-2017	5 894	5 762	
18 515	Choice Properties LP	3.600	20-Apr-2020	19 204	19 338	
1 335	Choice Properties Real Estate Investment Trust	3.498	08-Feb-2021	1 345	1 395	
10 505	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	10 514	10 712	
3 410	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	3 488	3 531	
13 829	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	14 610	14 626	
2 059	Cominar Real Estate Investment Trust	4.000	02-Nov-2020	2 084	2 111	
6 859	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	6 973	7 071	
10 310	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	10 310	10 511	
12 955	Cominar Real Estate Investment Trust	4.247	23-May-2023	13 027	13 099	
12 811	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	13 186	13 134	
6 374	Crombie Real Estate Investment Trust	2.775	10-Feb-2020	6 342	6 310	
3 763	Crombie Real Estate Investment Trust	3.962	01-Jun-2021	3 865	3 835	
5 285	Crosslinx Transit Solutions GP	4.555	30-Jun-2051	5 091	4 889	
1 645	CU Inc.	6.145	22-Nov-2017	1 843	1 717	
2 370	CU Inc.	11.770	30-Nov-2020	3 527	3 225	
4 315	CU Inc.	9.920	01-Apr-2022	6 292	5 884	
9 310	CU Inc.	6.215	06-Mar-2024	11 575	11 489	
2 170	CU Inc.	5.563	26-May-2028	2 641	2 636	
2 390	CU Inc.	5.896	20-Nov-2034	3 096	3 044	
2 085	CU Inc.	5.032	20-Nov-2036	2 423	2 449	
9 968	CU Inc.	5.556	30-Oct-2037	12 529	12 504	
2 335	CU Inc.	5.580	26-May-2038	3 081	2 941	
6 682	CU Inc.	3.763	19-Nov-2046	6 684	6 658	
5 710	CU Inc.	4.947	18-Nov-2050	6 534	6 842	
9 600	CU Inc.	4.558	07-Nov-2053	10 554	10 816	
13 110	CU Inc.	4.094	19-Oct-2054	13 110	13 603	
8 815	CU Inc.	4.211	29-Oct-2055	8 815	9 339	
4 676	Dufferin Wind Power Inc.	4.317	30-Nov-2033	4 676	4 627	
5 661	Eagle Credit Card Trust	2.849	17-Oct-2018	5 730	5 806	
14 945	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	15 116	15 029	
5 035	Enbridge Gas Distribution Inc.	1.850	24-Apr-2017	5 034	5 049	
3 015	Enbridge Gas Distribution Inc.	5.160	04-Dec-2017	3 335	3 127	
6 355	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	6 857	6 895	
286	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	324	324	
8 535	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	8 532	8 939	
5 625	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	5 621	5 478	
7 287	Enbridge Gas Distribution Inc.	6.900	15-Nov-2032	9 929	9 978	

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December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 095	Enbridge Gas Distribution Inc.	6.160	16-Dec-2033	$ 1 476	$ 1 413	
3 370	Enbridge Gas Distribution Inc.	4.500	23-Nov-2043	4 000	3 740	
5 795	Enbridge Gas Distribution Inc.	4.000	22-Aug-2044	5 960	5 960	
13 957	Enbridge Inc.	4.770	02-Sep-2019	14 979	15 024	
3 907	Enbridge Inc.	4.530	09-Mar-2020	4 151	4 206	
15 123	Enbridge Inc.	4.260	01-Feb-2021	15 805	16 289	
1 747	Enbridge Inc.	3.940	30-Jun-2023	1 828	1 856	
2 990	Enbridge Inc.	7.220	24-Jul-2030	3 639	3 777	
800	Enbridge Inc.	5.570	14-Nov-2035	945	889	
3 433	Enbridge Inc.	5.750	02-Sep-2039	3 838	3 935	
2 263	Enbridge Inc.	5.120	28-Sep-2040	2 301	2 403	
1 000	Enbridge Inc.	4.560	28-Mar-2064	844	918	
10 135	Enbridge Income Fund	4.100	22-Feb-2019	10 895	10 615	
417	Enbridge Income Fund	3.940	13-Jan-2023	423	444	
2 340	Enbridge Income Fund	3.950	19-Nov-2024	2 347	2 472	
110	Enbridge Income Fund	4.870	21-Nov-2044	113	113	
4 192	Enbridge Pipelines Inc.	2.930	30-Nov-2022	4 283	4 319	
83	Enbridge Pipelines Inc.	3.790	17-Aug-2023	89	89	
1 445	Enbridge Pipelines Inc.	6.350	17-Nov-2023	1 732	1 749	
22 000	Enbridge Pipelines Inc.	8.200	15-Feb-2024	30 969	28 750	
50 954	Enbridge Pipelines Inc.	3.450	29-Sep-2025	51 816	52 945	
20 605	Enbridge Pipelines Inc.	3.000	10-Aug-2026	20 736	20 431	
4 435	Enbridge Pipelines Inc.	6.050	12-Feb-2029	5 733	5 278	
1 200	Enbridge Pipelines Inc.	6.500	11-Jun-2029	1 619	1 485	
8 680	Enbridge Pipelines Inc.	5.350	10-Nov-2039	10 717	10 005	
10 280	Enbridge Pipelines Inc.	5.330	06-Apr-2040	12 053	11 841	
9 717	Enbridge Pipelines Inc.	4.550	29-Sep-2045	9 750	10 109	
2 370	Enbridge Pipelines Inc.	4.130	09-Aug-2046	2 373	2 313	
17 251	Enbridge Southern Lights LP	4.014	30-Jun-2040	17 289	17 146	
9 355	Enersource Corp.	4.521	29-Apr-2021	9 892	10 281	
16 220	Enmax Corp.	6.150	19-Jun-2018	18 241	17 158	
15 840	Fortis Inc.	2.850	12-Dec-2023	15 859	15 878	
2 348	Fortis Inc.	6.510	04-Jul-2039	3 132	3 025	
1 060	FortisAlberta Inc.	4.540	18-Oct-2041	1 126	1 172	
6 415	FortisAlberta Inc.	4.850	11-Sep-2043	8 034	7 438	
3 275	FortisAlberta Inc.	3.340	21-Sep-2046	3 269	2 962	
3 209	FortisAlberta Inc.	4.800	27-Oct-2050	3 805	3 715	
1 422	FortisBC Energy Inc.	6.000	02-Oct-2037	1 855	1 872	
3 495	FortisBC Energy Inc.	5.800	13-May-2038	4 848	4 506	
1 210	FortisBC Energy Inc.	5.200	06-Dec-2040	1 433	1 464	
2 481	FortisBC Inc.	5.900	04-Jul-2047	3 264	3 319	
5 379	FortisBC Inc.	5.000	24-Nov-2050	6 621	6 344	
5 205	Gaz Metro Inc.	4.930	18-Jun-2019	5 852	5 640	
14 531	Genesis Trust II	2.295	15-Feb-2017	14 547	14 552	
38 540	Genesis Trust II	1.675	17-Sep-2018	38 540	38 753	
62 480	Genesis Trust II	2.433	15-May-2019	63 195	63 844	
625	George Weston Ltd.	6.690	01-Mar-2033	762	762	
6 405	Grand Renewable Solar LP	3.926	31-Jan-2035	6 405	6 347	
6 215	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-2021	6 260	6 377	
44 257	Great-West Lifeco Finance Delaware LP	5.691	21-Jun-2067	43 423	43 939	
1 375	Great-West Lifeco Finance Delaware LP II	7.127	26-Jun-2068	1 497	1 473	
1 285	Greater Toronto Airports Authority	5.300	25-Feb-2041	1 645	1 629	
5 718	Hollis Receivables Term Trust II	2.434	26-Jun-2019	5 790	5 843	
7 806	Horizon Holdings Inc.	3.033	25-Jul-2022	7 808	8 025	
970	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	1 138	1 083	
17 479	Husky Energy Inc.	3.550	12-Mar-2025	16 794	17 688	
9 967	Hydro One Inc.	1.480	18-Nov-2019	9 967	9 979	

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December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
8 925	Hydro One Inc.	6.930	01-Jun-2032	$ 12 818	$ 12 331	
3 765	Hydro One Inc.	6.350	31-Jan-2034	4 997	5 022	
1 407	Hydro One Inc.	5.360	20-May-2036	1 840	1 719	
2 937	Hydro One Inc.	6.030	03-Mar-2039	4 058	3 897	
2 510	Hydro One Inc.	6.590	22-Apr-2043	3 614	3 640	
5 963	Hydro One Inc.	5.000	19-Oct-2046	6 955	7 261	
5 855	Hydro One Inc.	3.720	18-Nov-2047	5 855	5 755	
10 588	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	10 588	10 445	
410	Hydro Ottawa Holdings Inc.	3.639	02-Feb-2045	426	390	
1 100	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	1 219	1 199	
11 520	Kingston Solar LP	3.571	31-Jul-2035	11 520	11 086	
8 675	Lower Mattagami Energy LP	2.228	23-Oct-2017	8 733	8 755	
3 000	Lower Mattagami Energy LP	3.416	20-Jun-2024	3 283	3 182	
4 240	Lower Mattagami Energy LP	2.307	21-Oct-2026	4 240	4 056	
3 425	Lower Mattagami Energy LP	5.139	18-May-2041	4 496	4 147	
3 390	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	3 389	3 593	
655	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	655	668	
2 095	Master Credit Card Trust	2.626	21-Jan-2017	2 124	2 096	
13 431	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	13 433	13 711	
6 855	Mountain View Partners GP	3.974	31-Mar-2051	6 855	6 376	
8 154	North Battleford Power LP	4.958	31-Dec-2032	8 509	8 992	
13 132	North West Redwater Partnership	2.100	23-Feb-2022	13 039	13 117	
13 385	North West Redwater Partnership	3.200	22-Jul-2024	13 616	13 900	
15 980	North West Redwater Partnership	4.250	01-Jun-2029	15 999	17 109	
13 840	North West Redwater Partnership	4.150	01-Jun-2033	13 822	14 490	
19 963	North West Redwater Partnership	4.750	01-Jun-2037	20 487	22 389	
7 175	North West Redwater Partnership	4.350	10-Jan-2039	7 171	7 588	
387	North West Redwater Partnership	4.050	22-Jul-2044	377	395	
4 127	Northland Power Solar Finance One LP	4.397	30-Jun-2032	4 128	4 324	
2 375	Nova Gas Transmission Ltd.	8.875	27-May-2026	3 388	3 231	
3 030	Nova Scotia Power Inc.	9.750	02-Aug-2019	4 014	3 602	
9 812	Nova Scotia Power Inc.	8.850	19-May-2025	14 356	13 767	
3 645	Nova Scotia Power Inc.	5.950	27-Jul-2039	4 761	4 723	
3 315	Nova Scotia Power Inc.	5.610	15-Jun-2040	4 440	4 146	
2 010	OMERS Realty Corp.	2.473	12-Nov-2019	2 010	2 057	
5 580	OMERS Realty Corp.	2.971	05-Apr-2021	5 652	5 812	
9 058	Pembina Pipeline Corp.	3.770	24-Oct-2022	9 362	9 507	
24 667	Pembina Pipeline Corp.	3.540	03-Feb-2025	24 713	25 102	
2 565	Pembina Pipeline Corp.	3.710	11-Aug-2026	2 564	2 590	
9 119	Pembina Pipeline Corp.	4.750	30-Apr-2043	9 312	9 021	
8 835	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	9 558	9 403	
5 370	PowerStream Inc.	3.239	21-Nov-2024	5 453	5 547	
7 120	PSS Generating Station LP	4.795	24-Oct-2067	7 120	7 354	
3 680	Ridley Grain Ltd.	5.227	01-Aug-2024	3 680	3 949	
3 910	RioCan Real Estate Investment Trust	2.870	05-Mar-2018	3 999	3 971	
290	Rogers Communications Inc.	5.380	04-Nov-2019	323	319	
13 218	Royal Bank of Canada*	2.580	13-Apr-2017	13 448	13 279	
11 138	Royal Bank of Canada*	2.260	12-Mar-2018	11 315	11 275	
16 205	Royal Bank of Canada*	2.820	12-Jul-2018	16 624	16 573	
6 980	Royal Bank of Canada*	2.890	11-Oct-2018	7 211	7 164	
2 789	Royal Bank of Canada*	2.770	11-Dec-2018	2 866	2 861	
105 930	Royal Bank of Canada*	1.400	26-Apr-2019	105 962	105 954	
13 319	Royal Bank of Canada*	2.350	09-Dec-2019	13 511	13 593	
20 095	Royal Bank of Canada*	1.590	23-Mar-2020	20 244	20 090	
4 095	Royal Bank of Canada*	1.920	17-Jul-2020	4 089	4 114	
10 295	Royal Bank of Canada*	2.030	15-Mar-2021	10 299	10 334	
21 315	Royal Bank of Canada*	1.650	15-Jul-2021	21 237	20 997	

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December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
10 165	Royal Bank of Canada*	1.583	13-Sep-2021	$ 10 165	$ 9 960	
10 775	Royal Bank of Canada*	2.480	04-Jun-2025	10 520	10 670	
7 297	SEC LP and Arci Ltd.	5.188	29-Aug-2033	7 615	7 649	
7 435	SGTP Highway Bypass LP	4.105	31-Jan-2045	7 435	7 489	
4 150	Sun Life Financial Inc.	2.770	13-May-2024	4 198	4 212	
669	TELUS Corp.	3.350	01-Apr-2024	689	687	
5 974	TELUS Corp.	3.750	10-Mar-2026	6 094	6 182	
6 830	TELUS Corp.	5.150	26-Nov-2043	7 221	7 275	
27 456	TELUS Corp.	4.850	05-Apr-2044	27 513	28 055	
6 460	TELUS Corp.	4.750	17-Jan-2045	6 463	6 503	
60 850	Teranet Holdings LP	4.807	16-Dec-2020	66 121	65 790	
8 436	Teranet Holdings LP	3.646	18-Nov-2022	8 439	8 646	
1 935	Teranet Holdings LP	5.754	17-Dec-2040	2 067	2 078	
2 766	Teranet Holdings LP	6.100	17-Jun-2041	3 190	3 102	
15 640	TMX Group Ltd.	3.253	03-Oct-2018	16 043	16 085	
3 310	TMX Group Ltd.	4.461	03-Oct-2023	3 310	3 609	
5 855	Toromont Industries Ltd.	3.710	30-Sep-2025	5 855	5 880	
3 615	Toronto-Dominion Bank	2.433	15-Aug-2017	3 646	3 646	
115 824	Toronto-Dominion Bank	1.680	08-Jun-2021	116 424	115 025	
19 442	Toronto-Dominion Bank	1.909	18-Jul-2023	19 442	18 919	
18 685	Toronto-Dominion Bank	2.692	24-Jun-2025	18 504	18 650	
2 450	TransCanada PipeLines Ltd.	8.200	15-Aug-2031	3 718	3 413	
18 210	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	18 258	18 535	
18 760	TransEd Partners GP	3.951	30-Sep-2050	17 351	16 851	
6 500	Trillium Windpower LP	5.803	15-Feb-2033	7 581	7 229	
1 000	Union Gas Ltd.	5.350	27-Apr-2018	1 162	1 051	
6 405	Union Gas Ltd.	8.750	03-Aug-2018	7 959	7 092	
3 940	Union Gas Ltd.	8.650	10-Nov-2025	5 548	5 582	
6 410	Union Gas Ltd.	2.810	01-Jun-2026	6 410	6 405	
5 065	Union Gas Ltd.	5.460	11-Sep-2036	6 446	6 188	
2 168	Union Gas Ltd.	5.200	23-Jul-2040	2 604	2 623	
3 500	Union Gas Ltd.	4.880	21-Jun-2041	4 329	4 056	
6 062	Union Gas Ltd.	4.200	02-Jun-2044	6 632	6 413	
4 115	Union Gas Ltd.	3.800	01-Jun-2046	4 318	4 074	
1 530	Vancouver Fraser Port Authority	4.630	20-Apr-2020	1 703	1 660	
12 900	West Edmonton Mall Property Inc.	4.309	13-Feb-2024	13 035	13 477	
3 059	Westcoast Energy Inc.	5.600	16-Jan-2019	3 376	3 283	
2 767	Westcoast Energy Inc.	9.900	10-Jan-2020	4 019	3 363	
1 000	Westcoast Energy Inc.	3.883	28-Oct-2021	1 020	1 067	
25 074	Westcoast Energy Inc.	3.770	08-Dec-2025	26 056	25 959	
2 975	Westcoast Energy Inc.	6.750	15-Dec-2027	3 831	3 680	
3 295	Westcoast Energy Inc.	4.791	28-Oct-2041	3 535	3 408	
2 855	Winnipeg Airport Authority Inc.	4.569	20-Nov-2019	3 169	3 081	
1 740	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	1 737	1 795	
4 420	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	4 669	5 360	
				2 465 768	2 459 738	**30.8**
FEDERAL						
84 451	Canada Housing Trust No. 1	1.250	15-Dec-2020	84 235	84 148	
158 758	Canada Housing Trust No. 1	1.250	15-Jun-2021	159 197	157 432	
55 559	Canada Housing Trust No. 1	1.150	15-Dec-2021	54 512	54 525	
81 635	Canada Housing Trust No. 1	2.650	15-Mar-2022	87 037	85 929	
89 482	Canada Housing Trust No. 1	2.900	15-Jun-2024	98 645	95 394	
1 425	CBC Monetization Trust	4.688	15-May-2027	1 425	1 618	
1 385	Government of Canada	1.500	01-Sep-2017	1 399	1 393	
2 755	Government of Canada	1.250	01-Mar-2018	2 775	2 773	
16 942	Government of Canada	4.250	01-Jun-2018	18 130	17 781	
24 377	Government of Canada	1.250	01-Sep-2018	24 737	24 582	

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December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
FEDERAL (cont.)						
12 736	Government of Canada	1.750	01-Mar-2019	$ 13 028	$ 13 000	
73 239	Government of Canada	1.750	01-Sep-2019	75 389	74 993	
54 180	Government of Canada	1.500	01-Mar-2020	55 881	55 142	
148 751	Government of Canada	3.500	01-Jun-2020	164 415	161 405	
140 283	Government of Canada	0.750	01-Sep-2020	140 765	139 065	
139 441	Government of Canada	0.750	01-Mar-2021	139 676	137 639	
26 688	Government of Canada	3.250	01-Jun-2021	29 628	29 160	
258 692	Government of Canada	0.750	01-Sep-2021	258 892	254 445	
341 166	Government of Canada	0.500	01-Mar-2022	333 380	329 339	
85 736	Government of Canada	2.750	01-Jun-2022	95 024	92 417	
14 959	Government of Canada	1.500	01-Jun-2023	15 517	15 054	
2 975	Government of Canada	2.500	01-Jun-2024	3 216	3 179	
11 300	Government of Canada	2.250	01-Jun-2025	11 769	11 849	
13 526	Government of Canada	1.500	01-Jun-2026	13 215	13 273	
18 112	Government of Canada	5.750	01-Jun-2029	25 293	25 557	
35	Government of Canada	5.750	01-Jun-2033	56	52	
6 802	Government of Canada	5.000	01-Jun-2037	10 144	9 780	
54 268	Government of Canada	3.500	01-Dec-2045	70 071	67 467	
24 118	Government of Canada	1.250	01-Dec-2047	28 211	29 252	
98 700	Government of Canada	2.750	01-Dec-2048	107 857	108 452	
				2 123 519	2 096 095	**26.3**
PROVINCIAL/MUNICIPAL						
8 715	Access Justice Durham Ltd.	5.015	31-Aug-2039	9 664	9 867	
3 110	City of Ottawa	4.600	14-Jul-2042	3 696	3 636	
3 995	City of Ottawa	3.100	27-Jul-2048	3 953	3 627	
4 445	City of Toronto	2.450	06-Feb-2025	4 433	4 397	
8 600	City of Vancouver	2.700	15-Dec-2026	8 590	8 539	
7 023	Hospital for Sick Children	5.217	16-Dec-2049	7 265	8 708	
2 130	McGill University	6.150	22-Sep-2042	2 992	2 914	
2 803	Municipal Finance Authority of British Columbia	3.350	01-Jun-2022	2 857	2 994	
36 027	Ontario Electricity Financial Corp.	8.500	26-May-2025	55 102	52 194	
7 007	Ontario Electricity Financial Corp.	9.000	26-May-2025	10 759	10 411	
40 915	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	60 023	59 986	
4 816	Ontrea Inc.	4.619	09-Apr-2018	4 957	4 933	
4 245	OPB Finance Trust	2.950	02-Feb-2026	4 244	4 303	
81 131	Province of Alberta	2.350	01-Jun-2025	82 654	80 646	
7 349	Province of Alberta	3.500	01-Jun-2031	8 022	7 688	
14 541	Province of Alberta	3.900	01-Dec-2033	15 878	15 822	
19 936	Province of Alberta	3.450	01-Dec-2043	22 153	20 372	
57 803	Province of Alberta	3.300	01-Dec-2046	61 229	57 692	
8 000	Province of Manitoba	2.550	02-Jun-2026	7 973	7 987	
5 157	Province of Manitoba	4.050	05-Sep-2045	5 634	5 764	
78 366	Province of Manitoba	2.850	05-Sep-2046	71 727	70 473	
11 984	Province of New Brunswick	3.650	03-Jun-2024	13 257	13 038	
14 500	Province of New Brunswick	4.800	26-Sep-2039	18 915	17 307	
5 474	Province of New Brunswick	4.800	03-Jun-2041	6 605	6 571	
13 076	Province of New Brunswick	3.550	03-Jun-2043	13 365	13 070	
35 663	Province of New Brunswick	3.800	14-Aug-2045	37 990	37 276	
25 867	Province of Newfoundland and Labrador	3.300	17-Oct-2046	24 212	23 591	
24 095	Province of Ontario	4.200	02-Jun-2020	26 487	26 325	
113 399	Province of Ontario	2.850	02-Jun-2023	122 169	118 821	
92 994	Province of Ontario	8.100	08-Sep-2023	131 386	127 473	
6 824	Province of Ontario	7.500	07-Feb-2024	9 498	9 183	
81 719	Province of Ontario	3.500	02-Jun-2024	92 063	88 752	
62 091	Province of Ontario	8.500	02-Dec-2025	94 422	91 607	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
52 078	Province of Ontario	2.400	02-Jun-2026	$ 53 704	$ 51 702	
276 374	Province of Ontario	7.600	02-Jun-2027	408 729	402 226	
142 124	Province of Ontario	6.200	02-Jun-2031	201 248	195 421	
93 315	Province of Ontario	5.600	02-Jun-2035	129 242	125 149	
32 397	Province of Ontario	4.700	02-Jun-2037	40 368	39 644	
122 929	Province of Ontario	4.600	02-Jun-2039	162 059	149 749	
11 994	Province of Ontario	4.650	02-Jun-2041	16 168	14 840	
208 914	Province of Ontario	3.500	02-Jun-2043	221 480	218 482	
22 736	Province of Ontario	3.450	02-Jun-2045	24 816	23 636	
140 327	Province of Ontario	2.900	02-Dec-2046	134 832	131 524	
19 483	Province of Ontario	2.800	02-Jun-2048	19 649	17 940	
42 542	Province of Quebec	9.375	16-Jan-2023	63 952	60 331	
96 239	Province of Quebec	8.500	01-Apr-2026	147 407	142 809	
54 174	Province of Quebec	6.000	01-Oct-2029	72 019	72 144	
7 645	Province of Quebec	5.000	01-Dec-2041	9 910	9 890	
5 405	Province of Quebec	3.500	01-Dec-2045	5 846	5 645	
10 356	Province of Quebec	3.500	01-Dec-2048	10 687	10 912	
12 982	Province of Saskatchewan	2.550	02-Jun-2026	13 046	12 977	
3 592	Province of Saskatchewan	5.750	05-Mar-2029	5 020	4 615	
3 500	Province of Saskatchewan	6.400	05-Sep-2031	5 331	4 841	
16 993	Province of Saskatchewan	3.900	02-Jun-2045	20 586	18 686	
23 292	Province of Saskatchewan	2.750	02-Dec-2046	22 639	20 694	
14 968	South Coast British Columbia Transportation Authority	3.800	02-Nov-2020	15 448	16 109	
5 130	South Coast British Columbia Transportation Authority	4.450	09-Jun-2044	5 979	5 872	
7 335	University of Ottawa	3.256	12-Oct-2056	7 335	6 474	
3 600	University of Toronto	4.937	16-Nov-2045	4 762	4 286	
				2 866 436	2 782 565	**34.8**
TOTAL CANADIAN BONDS				7 455 723	7 338 398	**91.9**
UNITED KINGDOM BONDS						
38 380	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-2017	39 005	38 786	
790	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	790	816	
TOTAL UNITED KINGDOM BONDS				39 795	39 602	**0.5**
UNITED STATES BONDS						
4 093	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-2023	4 102	4 273	
38 021	AT&T Inc. CAD	3.825	25-Nov-2020	39 748	39 988	
3 611	Bank of America Corp. CAD	3.228	22-Jun-2022	3 708	3 714	
1 240	Citigroup Inc. CAD	4.650	11-Oct-2022	1 240	1 673	
14 115	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	14 013	13 946	
7 745	Molson Coors International LP CAD	2.250	18-Sep-2018	7 732	7 819	
36 560	Molson Coors International LP CAD	2.750	18-Sep-2020	36 342	37 174	
10 955	Molson Coors International LP CAD	2.840	15-Jul-2023	10 953	10 831	
21 070	Molson Coors International LP CAD	3.440	15-Jul-2026	21 153	20 647	
29 995	Wells Fargo & Co. CAD	2.222	15-Mar-2021	29 995	29 999	
39 650	Wells Fargo & Co. CAD	2.509	27-Oct-2023	39 657	38 960	
1 500	Wells Fargo & Co. CAD	3.874	21-May-2025	1 575	1 541	
24 435	Wells Fargo & Co. CAD	2.975	19-May-2026	24 460	23 857	
TOTAL UNITED STATES BONDS				234 678	234 422	**2.9**
TOTAL BONDS				7 739 273	7 621 505	**95.4**
MORTGAGE-BACKED SECURITIES						
3 878	Equitable Bank	4.350	01-Jan-2018	4 011	3 992	
1 977	Peoples Trust	4.200	01-Oct-2019	1 975	2 107	
TOTAL MORTGAGE-BACKED SECURITIES				5 986	6 099	**0.1**

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

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

PHILLIPS, HAGER & NORTH
Investment Management®

December 31, 2016

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
MORTGAGES				
CMHC Insured				
2 143	4.930% Nov 01, 2019	$ 2 185	$ 2 299	
1 902	4.930% Dec 01, 2019	1 915	2 060	
1 769	4.850% Jan 01, 2020	1 785	1 902	
1 627	4.260% Nov 01, 2022	1 627	1 781	
TOTAL MORTGAGES		7 512	8 042	**0.1**
SHORT-TERM INVESTMENTS†		158 725	158 725	**2.0**
TOTAL INVESTMENTS		$ 8 032 076	7 920 393	**99.2**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			62 389	**0.8**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 7 982 782	**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 0.50% to 1.04% and mature between January 9, 2017 and May 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 7 920 393**	$ 7 410 033
Cash	**9 422**	301
Due from investment dealers	**77**	7 577
Subscriptions receivable	**6 931**	12 176
Futures contracts margin receivable	**10 163**	23
Dividends receivable, interest accrued and other assets	**41 633**	44 617
TOTAL ASSETS	**7 988 619**	7 474 727
LIABILITIES		
Due to investment dealers	**–**	8 178
Redemptions payable	**4 839**	1 794
Accounts payable and accrued expenses	**998**	926
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**5 837**	10 898
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 7 982 782**	$ 7 463 829
Investments at cost	**$ 8 032 076**	$ 7 399 363
NAV		
SERIES A	**$ 169 245**	$ 153 976
ADVISOR SERIES	**$ 111 224**	$ 94 165
SERIES H	**$ –**	$ 23 200
SERIES D	**$ 583 467**	$ 543 855
SERIES F	**$ 801 893**	$ 462 345
SERIES I	**$ –**	$ 82 908
SERIES O	**$ 6 316 953**	$ 6 103 380
NAV PER UNIT		
SERIES A	**$ 11.34**	$ 11.52
ADVISOR SERIES	**$ 11.35**	$ 11.53
SERIES H	**$ –**	$ 11.55
SERIES D	**$ 11.34**	$ 11.52
SERIES F	**$ 11.36**	$ 11.53
SERIES I	**$ –**	$ 11.55
SERIES O	**$ 11.29**	$ 11.47

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 252 192**	$ 231 655
Net gain (loss) from futures contracts	**(4 029)**	–
Other income received from underlying funds	**10 345**	6 944
Capital gains received from underlying funds	**594**	–
Net realized gain (loss) on investments	**79 538**	100 057
Net gain (loss) on foreign currencies and other net assets	**879**	(3 228)
Change in unrealized gain (loss) on investments	**(122 353)**	(102 643)
TOTAL INCOME (LOSS)	**217 166**	232 785
EXPENSES (see notes – Fund Specific Information)		
Management fees	**8 573**	7 913
Administration fees	**2 022**	1 754
Independent Review Committee costs	**2**	3
GST/HST	**1 060**	961
TOTAL EXPENSES	**11 657**	10 631
INCREASE (DECREASE) IN NAV	**$ 205 509**	$ 222 154
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 2 131**	$ 4 232
ADVISOR SERIES	**$ 1 347**	$ 2 468
SERIES H	**$ 944**	$ 483
SERIES D	**$ 11 708**	$ 16 456
SERIES F	**$ 5 914**	$ 10 796
SERIES I	**$ 4 739**	$ 1 684
SERIES O	**$ 178 726**	$ 186 035
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.15**	$ 0.25
ADVISOR SERIES	**$ 0.15**	$ 0.25
SERIES H	**$ 0.48**	$ 0.26
SERIES D	**$ 0.24**	$ 0.32
SERIES F	**$ 0.11**	$ 0.32
SERIES I	**$ 0.51**	$ 0.33
SERIES O	**$ 0.32**	$ 0.39

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 205 509**	$ 222 154
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**(535)**	–
Net realized loss (gain) on investments	**(79 538)**	(100 057)
Change in unrealized loss (gain) on investments	**122 353**	102 643
(Increase) decrease in accrued receivables	**2 984**	(9 032)
Increase (decrease) in accrued payables	**72**	51
Cost of investments purchased	**(16 268 592)**	(22 935 916)
Proceeds on sales of investments	**15 715 274**	21 418 466
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(302 473)**	(1 301 691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**1 812 932**	2 198 826
Cash paid on redemption of redeemable units	**(1 415 848)**	(825 135)
Distributions paid to holders of redeemable units	**(75 350)**	(71 993)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 321 734**	$ 1 301 698
Net increase (decrease) in cash for the period	**19 261**	7
Cash (bank overdraft), beginning of period	**324**	317
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 19 585**	$ 324
Interest received (paid)	**$ 254 641**	$ 222 623
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series H		Series D	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 153 976**	$ 166 803	**$ 94 165**	$ 98 269	**$ 23 200**	$ 19 429	**$ 543 855**	$ 527 221
INCREASE (DECREASE) IN NAV	**2 131**	4 232	**1 347**	2 468	**944**	483	**11 708**	16 456
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**52 789**	29 685	**45 253**	24 228	**2 567**	10 129	**126 051**	73 738
Reinvestments of distributions to holders of redeemable units	**4 873**	5 673	**2 843**	3 011	**221**	790	**19 831**	22 600
Redemption of redeemable units	**(39 113)**	(46 202)	**(28 856)**	(30 044)	**(26 676)**	(6 728)	**(95 964)**	(71 423)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**18 549**	(10 844)	**19 240**	(2 805)	**(23 888)**	4 191	**49 918**	24 915
Distributions from net income	**(3 332)**	(3 398)	**(2 162)**	(2 083)	**(256)**	(507)	**(14 879)**	(15 004)
Distributions from net gains	**(2 079)**	(2 817)	**(1 366)**	(1 684)	**–**	(396)	**(7 135)**	(9 733)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(5 411)**	(6 215)	**(3 528)**	(3 767)	**(256)**	(903)	**(22 014)**	(24 737)
NET INCREASE (DECREASE) IN NAV	**15 269**	(12 827)	**17 059**	(4 104)	**(23 200)**	3 771	**39 612**	16 634
NAV AT END OF PERIOD	**$ 169 245**	$ 153 976	**$ 111 224**	$ 94 165	**$ –**	$ 23 200	**$ 583 467**	$ 543 855

For the periods ended December 31	Series F		Series I		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 462 345**	$ 339 951	**$ 82 908**	$ 48 745	**$ 6 103 380**	$ 4 777 705	**$ 7 463 829**	$ 5 978 123
INCREASE (DECREASE) IN NAV	**5 914**	10 796	**4 739**	1 684	**178 726**	186 035	**205 509**	222 154
Early redemption fees	**(4)**	5	**–**	–	**–**	–	**(4)**	5
Proceeds from redeemable units issued	**486 791**	220 089	**46 081**	48 359	**1 048 155**	1 754 310	**1 807 687**	2 160 538
Reinvestments of distributions to holders of redeemable units	**15 860**	10 726	**1 270**	2 595	**226 750**	238 858	**271 648**	284 253
Redemption of redeemable units	**(142 088)**	(99 436)	**(133 393)**	(14 958)	**(952 799)**	(556 207)	**(1 418 889)**	(824 998)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**360 559**	131 384	**(86 042)**	35 996	**322 106**	1 436 961	**660 442**	1 619 798
Distributions from net income	**(17 104)**	(11 525)	**(1 605)**	(2 041)	**(207 313)**	(192 371)	**(246 651)**	(226 929)
Distributions from net gains	**(9 821)**	(8 261)	**–**	(1 476)	**(79 946)**	(104 950)	**(100 347)**	(129 317)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(26 925)**	(19 786)	**(1 605)**	(3 517)	**(287 259)**	(297 321)	**(346 998)**	(356 246)
NET INCREASE (DECREASE) IN NAV	**339 548**	122 394	**(82 908)**	34 163	**213 573**	1 325 675	**518 953**	1 485 706
NAV AT END OF PERIOD	**$ 801 893**	$ 462 345	**$ –**	$ 82 908	**$ 6 316 953**	$ 6 103 380	**$ 7 982 782**	$ 7 463 829

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

December 31, 2016

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.

All outstanding Series H units were re-designated as Series C units, and then all Series C units were renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016.

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 2016**	December 31 2015
AAA	**32.2**	24.2
AA	**33.2**	39.9
A	**15.8**	15.8
BBB	**17.3**	18.6
BB	**0.5**	0.8
B	**0.6**	0.6
CCC	**0.2**	–
Unrated*	**0.2**	0.1
Total	**100.0**	100.0

* Mortgages, which represent 46.1% (December 31, 2015 – 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. As at December 31, 2016 and December 31, 2015, there were no mortgage payments in arrears.

Concentration risk (%)

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

Investment mix	**December 31 2016**	December 31 2015
Corporate Bonds	**35.9**	42.6
Provincial Bonds	**34.2**	36.4
Federal Bonds	**26.3**	15.0
Municipal Bonds	**0.6**	0.2
Mortgages	**0.1**	0.1
Mortgage-Backed Bonds	**0.1**	0.1
Cash/Other	**2.8**	5.6
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**3.4**	5.6
1 – 5 years	**30.9**	29.2
5 – 10 years	**31.8**	27.9
> 10 years	**33.9**	37.3
Total	**100.0**	100.0

As at December 31, 2016, 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 7.5% (December 31, 2015 – 7.3%). 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**126 022**	**–**	**–**	**126 022**
Fixed-income and debt securities	**–**	**7 627 604**	**8 042**	**7 635 646**
Short-term investments	**–**	**158 725**	**–**	**158 725**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**126 022**	**7 786 329**	**8 042**	**7 920 393**
% of total portfolio	**1.6**	**98.3**	**0.1**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	119 988	–	–	119 988
Fixed-income and debt securities	–	6 923 510	–	6 923 510
Short-term investments	–	366 535	–	366 535
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	119 988	7 290 045	–	7 410 033
% of total portfolio	1.6	98.4	–	100.0

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

During the periods ended December 31, 2016 and 2015, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2016	December 31 2015
Balance at beginning of period	**–**	–
Net purchases	**4**	–
Net sales	**(395)**	–
Net transfers in	**8 721**	–
Net transfers out	**–**	–
Realized gains (losses)	**(5)**	–
Unrealized gains (losses)	**(283)**	–
Balance at end of period	**8 042**	–

During the year ended December 31, 2016, investments in mortgages of $8,721 were transferred into Level 3 from Level 2 following management's assessment of the significance of the unobservable inputs used to value those investments. Mortgages are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs.

As at December 31, 2016, 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, 2015 – 0.0%).

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	0.90%	0.05%
Advisor Series	0.90%	0.05%
Series H	0.90%	0.05%
Series D	0.50%	0.04%
Series F	0.40%	0.05%
Series I	0.40%	0.05%
Series O	n/a†	0.02%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 0.90% from 1.00%; and for Series F units were reduced to 0.40% from 0.50%.
† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**54**	52
Advisor Series	**108**	104
Series H	**–**	93
Series D	**56**	54
Series F	**56**	54
Series I	**–**	95
Value of all units	**3**	5

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North High Yield Bond Fund	**1.0**	**1.9**	1.1	2.5
RBC High Yield Bond Fund	**0.6**	**2.3**	0.5	2.4

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**13 367**	14 272
Issued number of units	**4 473**	2 494
Reinvested number of units	**423**	486
Redeemed number of units	**(3 341)**	(3 885)
Ending number of units	**14 922**	13 367

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Advisor Series		
Opening units	**8 167**	8 404
Issued number of units	**3 853**	2 035
Reinvested number of units	**247**	258
Redeemed number of units	**(2 471)**	(2 530)
Ending number of units	**9 796**	8 167
Series H		
Opening units	**2 009**	1 660
Issued number of units	**220**	848
Reinvested number of units	**19**	68
Redeemed number of units	**(2 248)**	(567)
Ending number of units	**–**	2 009
Series D		
Opening units	**47 207**	45 109
Issued number of units	**10 716**	6 190
Reinvested number of units	**1 719**	1 936
Redeemed number of units	**(8 202)**	(6 028)
Ending number of units	**51 440**	47 207
Series F		
Opening units	**40 085**	29 051
Issued number of units	**41 301**	18 487
Reinvested number of units	**1 377**	919
Redeemed number of units	**(12 148)**	(8 372)
Ending number of units	**70 615**	40 085
Series I		
Opening units	**7 176**	4 160
Issued number of units	**3 957**	4 057
Reinvested number of units	**108**	222
Redeemed number of units	**(11 241)**	(1 263)
Ending number of units	**–**	7 176
Series O		
Opening units	**532 024**	410 781
Issued number of units	**90 068**	147 830
Reinvested number of units	**19 721**	20 552
Redeemed number of units	**(82 073)**	(47 139)
Ending number of units	**559 740**	532 024

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 2016	December 31 2015
RBC Balanced Growth & Income Class	**0.2**	0.1
RBC Balanced Growth & Income Fund	**1.6**	1.6
RBC Conservative Growth & Income Fund	**0.3**	0.2
RBC Monthly Income Bond Fund	**3.1**	2.6
RBC Retirement 2020 Portfolio	**–**	–
RBC Retirement 2025 Portfolio	**–**	–
RBC Retirement 2030 Portfolio	**–**	–
RBC Retirement 2035 Portfolio	**–**	–
RBC Retirement 2040 Portfolio	**–**	–
RBC Retirement 2045 Portfolio	**–**	–
RBC Retirement 2050 Portfolio	**–**	–
RBC Retirement Income Solution	**–**	–
RBC Select Balanced Portfolio	**9.0**	10.7
RBC Select Choices Balanced Portfolio	**0.5**	0.5
RBC Select Choices Conservative Portfolio	**0.3**	0.4
RBC Select Choices Growth Portfolio	**0.1**	0.2
RBC Select Conservative Portfolio	**24.1**	25.4
RBC Select Growth Portfolio	**1.8**	1.9
RBC Select Very Conservative Portfolio	**13.3**	12.9
RBC Target 2020 Education Fund	**0.5**	0.5
RBC Target 2025 Education Fund	**0.9**	0.6
Total	**55.7**	57.6

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, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CORPORATE						
551	Teranet Holdings LP	3.270	01-Dec-2031	$ 548	$ 600	
				548	600	**0.7**
FEDERAL						
7 544	Government of Canada	4.250	01-Dec-2021	8 543	9 162	
8 222	Government of Canada	4.250	01-Dec-2026	1 492	11 487	
7 110	Government of Canada	4.000	01-Dec-2031	4 028	10 849	
8 484	Government of Canada	3.000	01-Dec-2036	7 442	12 560	
7 022	Government of Canada	2.000	01-Dec-2041	3 543	9 466	
7 582	Government of Canada	1.500	01-Dec-2044	6 948	9 527	
8 496	Government of Canada	1.250	01-Dec-2047	10 056	10 306	
				42 052	73 357	**87.9**
PROVINCIAL/MUNICIPAL						
3 337	Province of Ontario	2.000	01-Dec-2036	3 418	3 783	
632	Province of Quebec	4.500	01-Dec-2021	784	757	
1 556	Province of Quebec	4.500	01-Dec-2026	1 981	2 077	
1 756	Province of Quebec	4.250	01-Dec-2031	2 376	2 485	
				8 559	9 102	**10.9**
TOTAL BONDS				51 159	83 059	**99.5**
SHORT-TERM INVESTMENTS*				50	50	**0.1**
TOTAL INVESTMENTS				$ 51 209	83 109	**99.6**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					375	**0.4**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 83 484	**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 0.80% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 83 109**	$ 74 791
Cash	**166**	102
Subscriptions receivable	**93**	79
Dividends receivable, interest accrued and other assets	**155**	126
TOTAL ASSETS	**83 523**	75 098
LIABILITIES		
Redemptions payable	**16**	27
Accounts payable and accrued expenses	**23**	24
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**39**	51
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 83 484**	$ 75 047
Investments at cost	**$ 51 209**	$ 47 427
NAV		
SERIES A	**$ 13 503**	$ 14 992
ADVISOR SERIES	**$ 2 043**	$ 1 927
SERIES D	**$ 15 645**	$ 14 665
SERIES F	**$ 8 423**	$ 8 174
SERIES O	**$ 43 870**	$ 35 289
NAV PER UNIT		
SERIES A	**$ 11.27**	$ 11.13
ADVISOR SERIES	**$ 11.28**	$ 11.13
SERIES D	**$ 11.33**	$ 11.17
SERIES F	**$ 11.31**	$ 11.15
SERIES O	**$ 11.41**	$ 11.25

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 1 800**	$ 1 358
Net realized gain (loss) on investments	**(3 711)**	(2 418)
Net gain (loss) on foreign currencies and other net assets	**–**	(30)
Change in unrealized gain (loss) on investments	**4 536**	3 894
TOTAL INCOME (LOSS)	**2 625**	2 804
EXPENSES (see notes – Fund Specific Information)		
Management fees	**228**	254
Administration fees	**25**	28
Independent Review Committee costs	**2**	3
GST/HST	**24**	27
TOTAL EXPENSES	**279**	312
INCREASE (DECREASE) IN NAV	**$ 2 346**	$ 2 492
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 382**	$ 620
ADVISOR SERIES	**$ 46**	$ 68
SERIES D	**$ 416**	$ 538
SERIES F	**$ 224**	$ 296
SERIES O	**$ 1 278**	$ 970
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.30**	$ 0.30
ADVISOR SERIES	**$ 0.27**	$ 0.30
SERIES D	**$ 0.30**	$ 0.36
SERIES F	**$ 0.27**	$ 0.38
SERIES O	**$ 0.35**	$ 0.42

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 2 346**	$ 2 492
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**(71)**	–
Net realized loss (gain) on investments	**3 711**	2 418
Change in unrealized loss (gain) on investments	**(4 536)**	(3 894)
(Increase) decrease in accrued receivables	**(29)**	(5)
Increase (decrease) in accrued payables	**(1)**	(5)
Cost of investments purchased	**(6 433 495)**	(1 542 473)
Proceeds on sales of investments	**6 426 073**	1 533 222
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(6 002)**	(8 245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**20 231**	26 124
Cash paid on redemption of redeemable units	**(13 970)**	(17 561)
Distributions paid to holders of redeemable units	**(195)**	(256)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 6 066**	$ 8 307
Net increase (decrease) in cash for the period	**64**	62
Cash (bank overdraft), beginning of period	**102**	40
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 166**	$ 102
Interest received (paid)	**$ 1 700**	$ 1 353
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 14 992**	$ 19 233	**$ 1 927**	$ 2 178	**$ 14 665**	$ 15 855	**$ 8 174**	$ 8 108
INCREASE (DECREASE) IN NAV	**382**	620	**46**	68	**416**	538	**224**	296
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**913**	862	**373**	295	**3 580**	3 326	**3 063**	1 914
Reinvestments of distributions to holders of redeemable units	**169**	301	**23**	36	**234**	330	**62**	68
Redemption of redeemable units	**(2 775)**	(5 703)	**(302)**	(611)	**(3 005)**	(5 037)	**(2 941)**	(2 012)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(1 693)**	(4 540)	**94**	(280)	**809**	(1 381)	**184**	(30)
Distributions from net income	**(178)**	(321)	**(24)**	(39)	**(245)**	(347)	**(159)**	(200)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(178)**	(321)	**(24)**	(39)	**(245)**	(347)	**(159)**	(200)
NET INCREASE (DECREASE) IN NAV	**(1 489)**	(4 241)	**116**	(251)	**980**	(1 190)	**249**	66
NAV AT END OF PERIOD	**$ 13 503**	$ 14 992	**$ 2 043**	$ 1 927	**$ 15 645**	$ 14 665	**$ 8 423**	$ 8 174

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2016	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 35 289**	$ 18 989	**$ 75 047**	$ 64 363
INCREASE (DECREASE) IN NAV	**1 278**	970	**2 346**	2 492
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**12 316**	19 623	**20 245**	26 020
Reinvestments of distributions to holders of redeemable units	**771**	830	**1 259**	1 565
Redemption of redeemable units	**(4 936)**	(4 209)	**(13 959)**	(17 572)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**8 151**	16 244	**7 545**	10 013
Distributions from net income	**(848)**	(914)	**(1 454)**	(1 821)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(848)**	(914)	**(1 454)**	(1 821)
NET INCREASE (DECREASE) IN NAV	**8 581**	16 300	**8 437**	10 684
NAV AT END OF PERIOD	**$ 43 870**	$ 35 289	**$ 83 484**	$ 75 047

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
AAA	**88.3**	86.1
AA	**4.6**	5.3
A	**6.4**	7.7
BBB	**0.7**	0.9
Total	**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 2016**	December 31 2015
Federal Bonds	**87.9**	80.5
Provincial Bonds	**10.9**	12.1
Corporate Bonds	**0.7**	0.8
Cash/Other	**0.5**	6.6
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**–**	–
1 – 5 years	**11.9**	–
5 – 10 years	**16.4**	1.1
> 10 years	**71.7**	98.9
Total	**100.0**	100.0

As at December 31, 2016, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 15.2% (December 31, 2015 – 15.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**83 059**	**–**	**83 059**
Short-term investments	**–**	**50**	**–**	**50**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**–**	**83 109**	**–**	**83 109**
% of total portfolio	**–**	**100.0**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	70 092	–	70 092
Short-term investments	–	4 699	–	4 699
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	74 791	–	74 791
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	0.80%	0.05%
Advisor Series	0.80%	0.05%
Series D	0.45%	0.05%
Series F	0.30%	0.05%
Series O	n/a*	0.02%

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

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

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 2016	December 31 2015
Units held		
Series A	**55**	54
Advisor Series	**109**	107
Series D	**56**	55
Series F	**57**	56
Series O	**58**	56
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, 2016 for the Fund were approximately:

Capital losses	24 526
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**1 347**	1 751
Issued number of units	**78**	75
Reinvested number of units	**15**	26
Redeemed number of units	**(242)**	(505)
Ending number of units	**1 198**	1 347
Advisor Series		
Opening units	**173**	198
Issued number of units	**32**	26
Reinvested number of units	**2**	3
Redeemed number of units	**(26)**	(54)
Ending number of units	**181**	173
Series D		
Opening units	**1 312**	1 438
Issued number of units	**309**	290
Reinvested number of units	**20**	29
Redeemed number of units	**(260)**	(445)
Ending number of units	**1 381**	1 312
Series F		
Opening units	**733**	737
Issued number of units	**267**	169
Reinvested number of units	**5**	6
Redeemed number of units	**(260)**	(179)
Ending number of units	**745**	733
Series O		
Opening units	**3 139**	1 711
Issued number of units	**1 071**	1 723
Reinvested number of units	**66**	72
Redeemed number of units	**(430)**	(367)
Ending number of units	**3 846**	3 139

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 2016	December 31 2015
Phillips, Hager & North LifeTime 2015 Fund	**4.0**	4.0
Phillips, Hager & North LifeTime 2020 Fund	**18.1**	12.1
Phillips, Hager & North LifeTime 2025 Fund	**7.4**	4.5
Total	**29.5**	20.6

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

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
CORPORATE						
79 326	Atlantic Power LP	5.950	23-Jun-2036	$ 57 791	$ 63 572	
44 349	AutoCanada Inc.	5.625	25-May-2021	44 179	44 737	
90 000	Bank of Montreal	3.120	19-Sep-2024	90 577	91 191	
65 000	Bank of Montreal	3.340	08-Dec-2025	65 100	66 227	
70 000	Bank of Montreal	3.320	01-Jun-2026	70 310	71 163	
115 000	Bank of Nova Scotia	3.367	08-Dec-2025	114 997	117 267	
79 478	Baytex Energy Corp. USD	6.750	17-Feb-2021	93 203	102 575	
42 900	Baytex Energy Corp. USD	5.125	01-Jun-2021	38 513	52 271	
169 466	Baytex Energy Corp.	6.625	19-Jul-2022	167 252	162 606	
42 650	Baytex Energy Corp. USD	5.625	01-Jun-2024	44 254	50 822	
97 956	Canadian Energy Services & Technology Corp.	7.375	17-Apr-2020	98 414	101 262	
50 000	Canadian Imperial Bank of Commerce	3.000	28-Oct-2024	50 132	50 448	
125 000	Canadian Imperial Bank of Commerce	3.420	26-Jan-2026	126 187	127 416	
35 000	Canexus Corp.	7.875	20-Sep-2023	35 000	37 162	
25 000	Cogeco Inc.	6.000	05-Mar-2020	25 052	25 066	
26 425	Crew Energy Inc.	8.375	21-Oct-2020	25 962	27 135	
11 169	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	11 420	11 451	
13 000	CWB Capital Trust	6.199	31-Dec-2056	13 000	13 001	
65 000	Fairfax Financial Holdings Ltd.	4.700	16-Dec-2026	64 785	65 734	
67 021	Gibson Energy Inc.	7.000	15-Jul-2020	68 704	69 618	
31 166	Gibson Energy Inc. USD	6.750	15-Jul-2021	38 487	43 623	
38 807	Gibson Energy Inc.	5.375	15-Jul-2022	37 480	38 831	
63 000	Granite Real Estate Investment Trust Holdings LP	3.873	30-Nov-2023	63 001	63 284	
49 972	Great Canadian Gaming Corp.	6.625	25-Jul-2022	51 406	52 575	
48 243	Iron Mountain Canada Operations ULC	6.125	15-Aug-2021	49 813	50 595	
10 000	Island Timberlands LP USD	6.160	30-Aug-2025	12 122	16 478	
4 000	Mattamy Group Corp. USD	6.875	15-Dec-2023	5 276	5 465	
22 000	Morguard Corp.	4.013	18-Nov-2020	22 000	22 192	
100 660	Newalta Corp.	7.750	14-Nov-2019	97 684	94 700	
42 041	Noralta Lodge Ltd.	7.500	24-Sep-2019	37 549	37 942	
99 927	Northern Blizzard Resources Inc. USD	7.250	01-Feb-2022	112 068	134 167	
58 485	Parkland Fuel Corp.	6.000	21-Nov-2022	58 553	60 946	
33 000	Parkland Fuel Corp.	5.750	16-Sep-2024	33 000	34 017	
47 175	Precision Drilling Corp. USD	6.625	15-Nov-2020	54 751	64 606	
23 000	Precision Drilling Corp. USD	6.500	15-Dec-2021	24 855	31 499	
23 000	Precision Drilling Corp. USD	7.750	15-Dec-2023	30 816	32 734	
73 163	Quebecor Media Inc.	7.375	15-Jan-2021	77 638	75 312	
213 053	Quebecor Media Inc.	6.625	15-Jan-2023	215 817	224 416	
5 000	Ritchie Bros Auctioneers Inc. USD	5.375	15-Jan-2025	6 618	6 864	
15 000	Royal Bank of Canada*	3.040	17-Jul-2024	15 040	15 156	
30 000	Royal Bank of Canada*	3.310	20-Jan-2026	30 154	30 449	
257 921	Seven Generations Energy Ltd. USD	8.250	15-May-2020	360 130	368 807	
8 683	Sherritt International Corp.	7.500	24-Sep-2020	4 658	6 365	
74 000	Sherritt International Corp.	7.875	11-Oct-2022	67 298	52 748	
45 245	Sirius XM Canada Holdings Inc.	5.625	23-Apr-2021	45 422	45 697	
8 000	Sobeys Inc.	3.520	08-Aug-2018	8 065	8 100	
6 876	Sobeys Inc.	4.700	08-Aug-2023	6 802	6 853	
75 100	Superior Plus LP	6.500	09-Dec-2021	75 367	78 480	
2 000	Teine Energy Ltd. USD	6.875	30-Sep-2022	2 747	2 756	

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

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

PHILLIPS, HAGER & NORTH
Investment Management®

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
25 000	Telesat Canada USD	8.875	15-Nov-2024	$ 33 464	$ 35 077	
12 000	Toronto-Dominion Bank	2.982	30-Sep-2025	12 062	12 084	
152 190	Trilogy Energy Corp.	7.250	13-Dec-2019	150 614	154 655	
116 494	Trinidad Drilling Ltd. USD	7.875	15-Jan-2019	137 155	156 802	
76 643	Videotron Ltd.	6.875	15-Jul-2021	82 373	79 494	
39 655	Wajax Corp.	6.125	23-Oct-2020	39 815	40 233	
99 000	Western Energy Services Corp.	7.875	30-Jan-2019	96 036	90 956	
				3 500 968	3 625 682	**87.5**
FEDERAL						
200 000	Government of Canada	0.750	01-Sep-2021	195 809	196 716	
				195 809	196 716	**4.8**
TOTAL CANADIAN BONDS				3 696 777	3 822 398	**92.3**
FRANCE BONDS						
25 000	Numericable-SFR S.A. USD	7.375	01-May-2026	32 252	34 531	
TOTAL FRANCE BONDS				32 252	34 531	**0.8**
UNITED STATES BONDS						
51 250	Iron Mountain Canada Operations ULC CAD	5.375	15-Sep-2023	51 386	51 532	
12 000	LSC Communications Inc.	8.750	15-Oct-2023	15 805	16 233	
7 000	The Fresh Market Inc.	9.750	01-May-2023	8 782	8 059	
33 460	The Howard Hughes Corp.	6.875	01-Oct-2021	40 319	47 567	
TOTAL UNITED STATES BONDS				116 292	123 391	**3.0**
TOTAL BONDS				3 845 321	3 980 320	**96.1**
SHORT-TERM INVESTMENTS†				95 328	95 328	**2.3**
TOTAL INVESTMENTS				3 940 649	4 075 648	**98.4**
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	(11 369)	**(0.3)**
TOTAL PORTFOLIO				$ 3 940 649	4 064 279	**98.1**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					78 132	**1.9**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 4 142 411	**100.0**

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought CAD 266 267 Sold USD 200 000 @ 1.3313	24-Jan-2017	$ (2 183)
Bought CAD 200 685 Sold USD 150 000 @ 1.3379	02-Feb-2017	(628)
Bought CAD 66 766 Sold USD 50 000 @ 1.3353	02-Feb-2017	(338)
Bought CAD 201 149 Sold USD 150 000 @ 1.3410	28-Feb-2017	(110)
Bought CAD 251 477 Sold USD 190 000 @ 1.3236	06-Mar-2017	(3 432)
Bought CAD 209 963 Sold USD 160 000 @ 1.3123	13-Mar-2017	(4 678)
TOTAL FOREIGN EXCHANGE		$ (11 369)

All counterparties have a credit rating of at least A.

* 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 0.80% to 1.05% and mature between January 3, 2017 and June 13, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 4 075 648**	$ 3 114 014
Cash	**25 476**	73 761
Subscriptions receivable	**3 491**	6 014
Dividends receivable, interest accrued and other assets	**54 251**	40 963
TOTAL ASSETS	**4 158 866**	3 234 752
LIABILITIES		
Due to investment dealers	**1 510**	7 074
Redemptions payable	**2 135**	3 263
Unrealized loss on foreign exchange contracts	**11 369**	25 045
Accounts payable and accrued expenses	**1 441**	1 248
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**16 455**	36 630
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 4 142 411**	$ 3 198 122
Investments at cost	**$ 3 940 649**	$ 3 327 444
NAV		
SERIES A	**$ 276 968**	$ 281 732
ADVISOR SERIES	**$ 86 418**	$ 56 717
SERIES D	**$ 666 947**	$ 610 061
SERIES F	**$ 584 954**	$ 385 236
SERIES O	**$ 2 527 124**	$ 1 864 376
NAV PER UNIT		
SERIES A	**$ 12.16**	$ 10.97
ADVISOR SERIES	**$ 12.16**	$ 10.97
SERIES D	**$ 12.02**	$ 10.85
SERIES F	**$ 12.09**	$ 10.91
SERIES O	**$ 11.59**	$ 10.47

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 239 305**	$ 232 805
Net realized gain (loss) on investments	**63 457**	226 646
Net gain (loss) on foreign currencies and other net assets	**19 185**	(240 767)
Change in unrealized gain (loss) on investments	**362 105**	(286 508)
TOTAL INCOME (LOSS)	**684 052**	(67 824)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**12 950**	13 511
Administration fees	**1 456**	1 383
Independent Review Committee costs	**2**	3
GST/HST	**1 420**	1 496
TOTAL EXPENSES	**15 828**	16 393
INCREASE (DECREASE) IN NAV	**$ 668 224**	$ (84 217)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 43 489**	$ (9 324)
ADVISOR SERIES	**$ 12 883**	$ (2 109)
SERIES D	**$ 100 790**	$ (18 611)
SERIES F	**$ 85 985**	$ (12 553)
SERIES O	**$ 425 077**	$ (41 620)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 1.79**	$ (0.40)
ADVISOR SERIES	**$ 1.89**	$ (0.40)
SERIES D	**$ 1.84**	$ (0.32)
SERIES F	**$ 1.95**	$ (0.34)
SERIES O	**$ 1.98**	$ (0.21)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 668 224**	$ (84 217)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(63 457)**	(226 646)
Change in unrealized loss (gain) on investments	**(362 105)**	286 508
(Increase) decrease in accrued receivables	**(13 288)**	12 974
Increase (decrease) in accrued payables	**193**	(265)
Cost of investments purchased	**(10 906 242)**	(9 429 517)
Proceeds on sales of investments	**10 350 930**	9 489 007
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(325 745)**	47 844
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**1 155 912**	609 960
Cash paid on redemption of redeemable units	**(777 676)**	(798 175)
Distributions paid to holders of redeemable units	**(100 776)**	(79 508)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 277 460**	$ (267 723)
Net increase (decrease) in cash for the period	**(48 285)**	(219 879)
Cash (bank overdraft), beginning of period	**73 761**	293 640
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 25 476**	$ 73 761
Interest received (paid)	**$ 226 017**	$ 245 779
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 281 732**	$ 390 812	**$ 56 717**	$ 57 002	**$ 610 061**	$ 701 096	**$ 385 236**	$ 395 716
INCREASE (DECREASE) IN NAV	**43 489**	(9 324)	**12 883**	(2 109)	**100 790**	(18 611)	**85 985**	(12 553)
Early redemption fees	**2**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**42 410**	32 356	**40 172**	15 912	**86 707**	65 266	**225 052**	99 789
Reinvestments of distributions to holders of redeemable units	**11 939**	14 536	**3 031**	2 658	**33 649**	35 631	**18 713**	15 571
Redemption of redeemable units	**(87 836)**	(129 059)	**(22 085)**	(13 627)	**(127 268)**	(134 248)	**(98 643)**	(89 887)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(33 485)**	(82 167)	**21 118**	4 943	**(6 912)**	(33 351)	**145 122**	25 473
Distributions from net income	**(12 779)**	(17 589)	**(3 667)**	(3 119)	**(32 087)**	(39 073)	**(27 087)**	(23 400)
Distributions from net gains	**(1 989)**	–	**(633)**	–	**(4 905)**	–	**(4 302)**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(14 768)**	(17 589)	**(4 300)**	(3 119)	**(36 992)**	(39 073)	**(31 389)**	(23 400)
NET INCREASE (DECREASE) IN NAV	**(4 764)**	(109 080)	**29 701**	(285)	**56 886**	(91 035)	**199 718**	(10 480)
NAV AT END OF PERIOD	**$ 276 968**	$ 281 732	**$ 86 418**	$ 56 717	**$ 666 947**	$ 610 061	**$ 584 954**	$ 385 236

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 1 864 376**	$ 2 004 105	**$ 3 198 122**	$ 3 548 731
INCREASE (DECREASE) IN NAV	**425 077**	(41 620)	**668 224**	(84 217)
Early redemption fees	**–**	–	**2**	–
Proceeds from redeemable units issued	**759 048**	399 299	**1 153 389**	612 622
Reinvestments of distributions to holders of redeemable units	**84 603**	69 525	**151 935**	137 921
Redemption of redeemable units	**(440 718)**	(432 685)	**(776 550)**	(799 506)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**402 933**	36 139	**528 776**	(48 963)
Distributions from net income	**(146 617)**	(134 248)	**(222 237)**	(217 429)
Distributions from net gains	**(18 645)**	–	**(30 474)**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(165 262)**	(134 248)	**(252 711)**	(217 429)
NET INCREASE (DECREASE) IN NAV	**662 748**	(139 729)	**944 289**	(350 609)
NAV AT END OF PERIOD	**$ 2 527 124**	$ 1 864 376	**$ 4 142 411**	$ 3 198 122

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

The Fund was closed to new investors effective November 26, 2014, reopened to new investors effective March 28, 2016 and closed again to new investors effective April 7, 2016. Existing investors who held units of the Fund on April 7, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
AAA	**4.9**	–
A	**1.8**	6.1
BBB	**17.7**	4.6
BB	**23.4**	45.0
B	**36.8**	41.2
CCC	**13.8**	2.1
Unrated*	**1.6**	1.0
Total	**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 2016**	December 31 2015
Corporate Bonds	**91.3**	83.5
Federal Bonds	**4.8**	–
Cash/Other	**3.9**	16.5
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**–**	2.6
1 – 5 years	**56.7**	40.2
5 – 10 years	**41.4**	54.6
> 10 years	**1.9**	2.6
Total	**100.0**	100.0

As at December 31, 2016, 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 3.3% (December 31, 2015 – 2.9%). 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**3 980 320**	**–**	**3 980 320**
Short-term investments	**–**	**95 328**	**–**	**95 328**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**(11 369)**	**–**	**(11 369)**
Total financial instruments	**–**	**4 064 279**	**–**	**4 064 279**
% of total portfolio	**–**	**100.0**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 671 339	–	2 671 339
Short-term investments	–	442 675	–	442 675
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(25 045)	–	(25 045)
Total financial instruments	–	3 088 969	–	3 088 969
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	1.25%	0.05%
Advisor Series	1.25%	0.05%
Series D	0.75%	0.05%
Series F	0.75%	0.05%
Series O	n/a*	0.03%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**58**	55
Advisor Series	**115**	109
Series D	**60**	57
Series F	**60**	57
Value of all units	**4**	3

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**25 678**	32 643
Issued number of units	**3 768**	2 697
Reinvested number of units	**1 027**	1 240
Redeemed number of units	**(7 702)**	(10 902)
Ending number of units	**22 771**	25 678
Advisor Series		
Opening units	**5 169**	4 761
Issued number of units	**3 562**	1 320
Reinvested number of units	**260**	227
Redeemed number of units	**(1 885)**	(1 139)
Ending number of units	**7 106**	5 169
Series D		
Opening units	**56 237**	59 194
Issued number of units	**7 711**	5 468
Reinvested number of units	**2 923**	3 081
Redeemed number of units	**(11 393)**	(11 506)
Ending number of units	**55 478**	56 237
Series F		
Opening units	**35 317**	33 229
Issued number of units	**20 060**	8 403
Reinvested number of units	**1 615**	1 339
Redeemed number of units	**(8 598)**	(7 654)
Ending number of units	**48 394**	35 317
Series O		
Opening units	**178 093**	175 361
Issued number of units	**71 662**	35 208
Reinvested number of units	**7 620**	6 240
Redeemed number of units	**(39 402)**	(38 716)
Ending number of units	**217 973**	178 093

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 2016	December 31 2015
Phillips, Hager & North Core Plus Bond Fund	**0.1**	–
Phillips, Hager & North Enhanced Long Bond Pension Trust	**0.1**	–
Phillips, Hager & North Enhanced Total Return Bond Fund	**0.5**	0.6
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	**0.1**	0.1
Phillips, Hager & North LifeTime 2050 Fund	**–**	–
Phillips, Hager & North Long Core Plus Bond Fund	**0.1**	–
Phillips, Hager & North Monthly Income Fund	**2.4**	3.0
Phillips, Hager & North PRisM Balanced Fund	**2.2**	2.1
Phillips, Hager & North Total Return Bond Fund	**1.9**	2.5
RBC Select Choices Balanced Portfolio	**0.3**	0.4
RBC Select Choices Growth Portfolio	**0.3**	0.3
Total	**8.0**	9.0

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

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
58 040	Government of Canada	1.250	01-Dec-2047	$ 69 514	$ 70 410	
TOTAL CANADIAN BONDS				69 514	70 410	**99.7**
SHORT-TERM INVESTMENTS*				1 798	1 798	**2.5**
TOTAL INVESTMENTS				$ 71 312	72 208	**102.2**
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					(1 573)	**(2.2)**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 70 635	**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 0.45% and mature between March 23, 2017 and April 6, 2017.

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

PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

PHILLIPS, HAGER & NORTH
Investment Management®

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 72 208**	$ 49 046
Cash	**64**	59
Subscriptions receivable	**50**	598
Dividends receivable, interest accrued and other assets	**60**	46
TOTAL ASSETS	**72 382**	49 749
LIABILITIES		
Due to investment dealers	**1 746**	572
Redemptions payable	**–**	10
Distributions payable	**–**	24
Accounts payable and accrued expenses	**1**	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**1 747**	607
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 70 635**	$ 49 142
Investments at cost	**$ 71 312**	$ 49 389
NAV		
SERIES O	**$ 70 635**	$ 49 142
NAV PER UNIT		
SERIES O	**$ 11.75**	$ 11.35

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 1 514**	$ 845
Net realized gain (loss) on investments	**41**	1 093
Change in unrealized gain (loss) on investments	**1 239**	(1 455)
TOTAL INCOME (LOSS)	**2 794**	483
EXPENSES (see notes – Fund Specific Information)		
Administration fees	**12**	8
Independent Review Committee costs	**2**	3
GST/HST	**1**	1
Expenses reimbursed by manager	**–**	(3)
TOTAL EXPENSES	**15**	9
INCREASE (DECREASE) IN NAV	**$ 2 779**	$ 474
INCREASE (DECREASE) IN NAV SERIES O	**$ 2 779**	$ 474
INCREASE (DECREASE) IN NAV PER UNIT SERIES O	**$ 0.58**	$ 0.13

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

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 2 779**	$ 474
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**(909)**	–
Net realized loss (gain) on investments	**(41)**	(1 093)
Change in unrealized loss (gain) on investments	**(1 239)**	1 455
(Increase) decrease in accrued receivables	**(14)**	(12)
Increase (decrease) in accrued payables	**–**	1
Cost of investments purchased	**(51 693)**	(51 301)
Proceeds on sales of investments	**31 894**	35 801
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(19 223)**	(14 675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**26 940**	22 654
Cash paid on redemption of redeemable units	**(7 711)**	(7 934)
Distributions paid to holders of redeemable units	**(1)**	1
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 19 228**	$ 14 721
Net increase (decrease) in cash for the period	**5**	46
Cash (bank overdraft), beginning of period	**59**	13
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 64**	$ 59
Interest received (paid)	**$ 591**	$ 833
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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 O 2016	2015
NAV AT BEGINNING OF PERIOD	**$ 49 142**	$ 34 454
INCREASE (DECREASE) IN NAV	**2 779**	474
Early redemption fees	**–**	–
Proceeds from redeemable units issued	**26 392**	22 152
Reinvestments of distributions to holders of redeemable units	**1 648**	1 976
Redemption of redeemable units	**(7 701)**	(7 944)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**20 339**	16 184
Distributions from net income	**(1 525)**	(856)
Distributions from net gains	**(100)**	(1 114)
Distributions from capital	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(1 625)**	(1 970)
NET INCREASE (DECREASE) IN NAV	**21 493**	14 688
NAV AT END OF PERIOD	**$ 70 635**	$ 49 142

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

PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

December 31, 2016

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 2016**	December 31 2015
AAA	**100.0**	100.0
Total	**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 2016**	December 31 2015
Federal Bonds	**99.7**	99.6
Cash/Other	**0.3**	0.4
Total	**100.0**	100.0

Interest rate risk (%)

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

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**–**	–
1 – 5 years	**–**	–
5 – 10 years	**–**	–
> 10 years	**100.0**	100.0
Total	**100.0**	100.0

As at December 31, 2016, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 26.0% (December 31, 2015 – 25.6%). 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**70 410**	**–**	**70 410**
Short-term investments	**–**	**1 798**	**–**	**1 798**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**–**	**72 208**	**–**	**72 208**
% of total portfolio	**–**	**100.0**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	48 971	–	48 971
Short-term investments	–	75	–	75
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	49 046	–	49 046
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series O	n/a*	0.02%

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

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

PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

December 31, 2016

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 2016	December 31 2015
Units held		
Series O	–	17 223
Value of all units	–	195

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series O		
Opening units	**4 330**	2 964
Issued number of units	**2 186**	1 853
Reinvested number of units	**140**	174
Redeemed number of units	**(649)**	(661)
Ending number of units	**6 007**	4 330

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 2016	December 31 2015
Phillips, Hager & North LifeTime 2020 Fund	**2.5**	4.7
Phillips, Hager & North LifeTime 2025 Fund	**13.1**	15.5
Phillips, Hager & North LifeTime 2030 Fund	**20.0**	18.7
Phillips, Hager & North LifeTime 2035 Fund	**21.2**	20.5
Phillips, Hager & North LifeTime 2040 Fund	**17.9**	17.6
Phillips, Hager & North LifeTime 2045 Fund	**22.5**	21.4
Phillips, Hager & North LifeTime 2050 Fund	**2.8**	1.1
Total	**100.0**	99.5

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES				
161 900	Bank of Montreal, Preferred Series 14, 5.250%	$ 4 226	$ 4 131	
117 700	Bank of Montreal, Preferred Series 15, 5.800%	3 074	3 007	
111 300	Bank of Montreal, Preferred Series 31, 3.800%	1 952	2 168	
59 000	Bank of Montreal, Preferred Series 38, 4.850%	1 498	1 523	
24 300	Bank of Nova Scotia, Preferred Series 16, 5.250%	624	608	
119 800	Bank of Nova Scotia, Preferred Series 20, 5.000%	3 035	2 940	
57 000	Bank of Nova Scotia, Preferred Series 38, 4.850%	1 425	1 468	
40 000	Brookfield Asset Management Inc., Preferred Series 2, 2.100%	701	451	
65 000	Brookfield Asset Management Inc., Preferred Series 32, 4.500%	1 635	1 392	
48 300	Brookfield Asset Management Inc., Preferred Series 37, 4.900%	912	1 060	
34 600	Brookfield Asset Management Inc., Preferred Series 40, 4.500%	865	767	
109 000	Brookfield Asset Management Inc., Preferred Series 42, 4.500%	2 725	2 442	
113 600	Brookfield Asset Management Inc., Preferred Series 46, 4.800%	2 866	2 914	
71 700	Canadian Imperial Bank of Commerce, Preferred Series 39, 3.900%	1 710	1 406	
39 600	Canadian Imperial Bank of Commerce, Preferred Series 41, 3.750%	982	764	
21 600	Canadian Imperial Bank of Commerce, Preferred Series 43, 3.600%	406	472	
113 200	Canadian Utilities Ltd., Preferred Series CC, 4.500%	2 520	2 429	
207 700	Canadian Utilities Ltd., Preferred Series DD, 4.500%	4 634	4 448	
33 000	Canadian Utilities Ltd., Preferred Series FF, 4.500%	825	895	
15 600	CU Inc., Preferred Series 4, 3.800%	338	213	
219 300	Enbridge Inc., Preferred Series 3, 4.000%	5 340	3 794	
20 900	Enbridge Inc., Preferred Series 11, 4.400%	523	392	
75 300	Enbridge Inc., Preferred Series B, 4.000%	1 867	1 301	
79 400	Enbridge Inc., Preferred Series D, 4.000%	1 968	1 363	
92 900	Enbridge Inc., Preferred Series F, 4.000%	2 318	1 630	
132 500	Enbridge Inc., Preferred Series H, 4.000%	3 167	2 116	
4 900	Enbridge Inc., Preferred Series N, 4.000%	123	90	
24 000	Enbridge Inc., Preferred Series P, 4.000%	590	428	
153 700	Enbridge Inc., Preferred Series R, 4.000%	3 734	2 747	
95 100	Fortis Inc., Preferred Series J, 4.750%	2 297	2 151	
45 300	Fortis Inc., Preferred Series M, 4.100%	1 133	928	
123 700	Great-West Lifeco Inc., Preferred Series G, 5.200%	2 837	3 013	
96 800	Great-West Lifeco Inc., Preferred Series M, 5.800%	2 443	2 497	
169 700	Great-West Lifeco Inc., Preferred Series N, 3.650%	3 643	2 427	
72 600	Great-West Lifeco Inc., Preferred Series P, 5.400%	1 815	1 815	
21 700	Great-West Lifeco Inc., Preferred Series Q, 5.150%	537	522	
44 900	Great-West Lifeco Inc., Preferred Series S, 5.250%	1 123	1 103	
45 000	Husky Energy Inc., Preferred Series 1, 4.450%	885	603	
31 200	Manulife Financial Corporation, Preferred Series 2, 4.650%	732	697	
113 100	Manulife Financial Corporation, Preferred Series 19, 3.800%	2 828	2 273	
214 300	National Bank of Canada, Preferred Series 32, 3.900%	5 362	4 042	
20 500	National Bank of Canada, Preferred Series 34, 5.600%	513	542	
54 100	National Bank of Canada, Preferred Series 36, 5.400%	1 361	1 420	
19 000	Power Financial Corp., Preferred Series T, 4.200%	475	401	
50 800	Royal Bank of Canada, Preferred Series AA, 4.450%*	1 257	1 278	
25 000	Royal Bank of Canada, Preferred Series AB, 4.700%*	622	631	
130 600	Royal Bank of Canada, Preferred Series AC, 4.600%*	3 183	3 286	
36 000	Royal Bank of Canada, Preferred Series AD, 4.500%*	864	905	
40 000	Royal Bank of Canada, Preferred Series AG, 4.500%*	1 010	1 004	
120 400	Royal Bank of Canada, Preferred Series AJ, 5.000%*	2 914	2 985	
4 600	Royal Bank of Canada, Preferred Series BB, 3.900%*	84	90	
131 000	Royal Bank of Canada, Preferred Series BD, 3.600%*	3 280	2 820	

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

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES (cont.)				
40 400	Sun Life Financial Inc., Preferred Series 1, 4.750%	$ 901	$ 919	
92 300	Sun Life Financial Inc., Preferred Series 3, 4.450%	1 953	1 971	
58 900	Sun Life Financial Inc., Preferred Series 4, 4.450%	1 253	1 258	
51 100	Sun Life Financial Inc., Preferred Series 5, 4.500%	1 077	1 094	
30 000	Sun Life Financial Inc., Preferred Series 8R, 4.350%	647	467	
36 600	Toronto-Dominion Bank, Preferred Series 1, 3.900%	917	726	
163 800	Toronto-Dominion Bank, Preferred Series 3, 3.800%	3 920	3 189	
28 300	Toronto-Dominion Bank, Preferred Series 5, 3.750%	667	548	
181 500	Toronto-Dominion Bank, Preferred Series 14, 4.850%	4 588	4 683	
134 400	Toronto-Dominion Bank, Preferred Series S, 5.000%	3 360	3 326	
91 100	Toronto-Dominion Bank, Preferred Series Y, 5.100%	2 294	2 269	
116 900	TransCanada Corp., Preferred Series 1, 4.600%	2 655	1 901	
221 600	TransCanada Corp., Preferred Series 3, 4.000%	4 403	2 947	
78 900	TransCanada Corp., Preferred Series 5, 4.400%	1 770	1 094	
36 200	TransCanada Corp., Preferred Series 7, 4.000%	891	682	
113 600	TransCanada Corp., Preferred Series 9, 4.250%	2 840	2 245	
90 500	TransCanada Corp., Preferred Series 11, 3.800%	2 252	1 991	
66 700	TransCanada Corp., Preferred Series 15, 4.900%	1 668	1 698	
34 200	Westcoast Energy Inc., Preferred Series 12, 5.200%	855	882	
TOTAL PREFERRED EQUITIES		136 692	120 682	**5.1**
COMMON EQUITIES				
Consumer Discretionary				
139 600	Cineplex Inc.	6 090	7 150	
191 600	Dollarama Inc.	15 706	18 850	
607 668	Gildan Activewear Inc., Class A	22 929	20 715	
666 083	Quebecor Inc., Class B	24 031	24 858	
318 100	Shaw Communications Inc., Class B	7 452	8 570	
		76 208	80 143	**3.4**
Consumer Staples				
589 700	Alimentation Couche-Tard Inc.	33 770	35 901	
182 791	Empire Co. Ltd., Class A	4 340	2 873	
		38 110	38 774	**1.6**
Energy				
564 850	ARC Resources Ltd.	11 356	13 054	
306 800	Canadian Natural Resources Ltd.	11 688	13 128	
1 783 000	Cenovus Energy Inc.	32 936	36 195	
2 065 700	Crescent Point Energy Corp.	38 079	37 699	
1 045 180	Enbridge Inc.	53 009	59 053	
330 700	Keyera Corp.	12 457	13 380	
76 065	Parkland Fuel Corp.†, Subscription Receipts	1 864	1 864	
437 400	Pembina Pipeline Corp.	14 055	18 353	
405 796	PrairieSky Royalty Ltd.	10 066	12 961	
462 500	Seven Generations Energy Ltd.	14 336	14 481	
191 500	Tourmaline Oil Corp.	6 601	6 877	
150 278	Tourmaline Oil Corp.†, Subscription Receipts Restricted March 10, 2017	5 222	5 273	
241 286	TransCanada Corp.	14 115	14 607	
		225 784	246 925	**10.4**
Financials				
508 500	Bank of Nova Scotia	31 342	38 015	
1 078 200	Brookfield Asset Management Inc., Class A	46 274	47 764	
412 900	Canadian Imperial Bank of Commerce	40 722	45 237	
629 400	CI Financial Corp.	19 570	18 171	
1 493 200	Element Fleet Management Corp.	17 733	18 605	
1 494 400	Manulife Financial Corporation	28 653	35 731	
226 400	National Bank of Canada	10 419	12 346	
1 084 610	Royal Bank of Canada*	79 750	98 559	
603 800	Sun Life Financial Inc.	25 561	31 126	
163 300	Thomson Corp.	8 509	9 596	
1 429 700	Toronto-Dominion Bank	75 068	94 675	
		383 601	449 825	**19.0**
Industrials				
217 400	Canadian National Railway Co.	17 061	19 644	
45 400	Canadian Pacific Railway Ltd.	8 204	8 697	
191 000	Finning International Inc.	4 193	5 021	
665 800	Stantec Inc.	20 864	22 584	
278 900	Waste Connections Inc.	27 532	29 379	
		77 854	85 325	**3.6**
Information Technology				
231 000	CGI Group Inc., Class A	14 089	14 886	
10 900	Constellation Software Inc.	5 923	6 650	
208 368	Open Text Corp.	16 313	17 278	
		36 325	38 814	**1.6**
Materials				
178 000	Agnico Eagle Mines Ltd.	9 190	10 048	
97 400	Agrium Inc.	11 326	13 145	
83 900	CCL Industries, Class B	19 823	22 133	
214 700	Franco-Nevada Corp.	16 176	17 236	
1 426 500	Goldcorp Inc.	27 544	26 076	
291 400	Potash Corporation of Saskatchewan Inc.	6 794	7 078	
		90 853	95 716	**4.0**
Real Estate				
389 748	Allied Properties Real Estate Investment Trust	13 217	14 011	
942 500	Brookfield Property Partners LP	27 234	27 644	
78 201	Canadian Real Estate Investment Trust	3 495	3 621	
1 143 100	Pure Industrial Real Estate Investment Trust	4 677	6 390	

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

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate (cont.)				
197 000	Smart Real Estate Investment Trust	$ 5 958	$ 6 361	
		54 581	58 027	**2.5**
Telecommunication Services				
493 780	Rogers Communications Inc., Class B	25 307	25 573	
271 800	TELUS Corp.	11 331	11 619	
		36 638	37 192	**1.6**
Utilities				
313 564	Boralex Inc., Subscription Receipts	5 221	5 977	
552 150	Brookfield Infrastructure Partners LP	21 746	24 803	
262 400	Emera Inc.	11 874	11 910	
438 300	Fortis Inc.	18 127	18 172	
		56 968	60 862	**2.6**
TOTAL COMMON EQUITIES		1 076 922	1 191 603	**50.3**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
8 567 129	Phillips, Hager & North High Yield Bond Fund*	$ 98 846	$ 99 310	
12 158 149	RBC High Yield Bond Fund*	129 668	131 804	
TOTAL MUTUAL FUND UNITS		228 514	231 114	**9.8**

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
AUSTRALIA BONDS						
1 620	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-2017	$ 1 620	$ 1 641	
TOTAL AUSTRALIA BONDS				1 620	1 641	**0.1**
CANADIAN BONDS						
CORPORATE						
685	Access Prairies Partnership	4.232	01-Mar-2048	685	681	
518	Aéroports de Montréal	6.950	16-Apr-2032	702	671	
665	Alliance Pipeline LP	4.928	16-Dec-2019	718	700	
2 403	Alliance Pipeline LP	7.181	30-Jun-2023	2 875	2 742	
585	Alliance Pipeline LP	5.546	31-Dec-2023	649	624	
2 297	Alliance Pipeline LP	6.765	31-Dec-2025	2 731	2 602	
1 476	Alliance Pipeline LP	7.217	31-Dec-2025	1 791	1 700	
1 380	AltaLink Investments LP	3.265	05-Jun-2020	1 383	1 426	
1 709	AltaLink Investments LP	2.244	07-Mar-2022	1 709	1 701	
530	AltaLink LP	5.381	26-Mar-2040	635	663	
1 045	AltaLink LP	3.717	03-Dec-2046	1 045	1 035	
7 625	Bank of Montreal	4.550	01-Aug-2017	8 143	7 779	
1 867	Bank of Montreal	2.240	11-Dec-2017	1 883	1 887	
545	Bank of Montreal	6.020	02-May-2018	611	579	
2 735	Bank of Montreal	3.340	08-Dec-2025	2 737	2 787	
219	Bank of Nova Scotia	4.100	08-Jun-2017	230	222	
3 450	Baytex Energy Corp. USD	5.125	01-Jun-2021	3 664	4 204	
345	Bell Canada	4.400	16-Mar-2018	364	358	
475	Bell Canada	4.880	26-Apr-2018	508	497	
1 755	Bell Canada	3.550	02-Mar-2026	1 750	1 802	
1 005	Bow Centre Street LP	3.690	14-Jun-2021	1 001	1 001	
409	Bow Centre Street LP	3.693	14-Jun-2022	407	403	
1 750	Bow Centre Street LP	3.797	13-Jun-2023	1 750	1 692	
1 042	Brookfield Asset Management Inc.	4.540	31-Mar-2023	1 100	1 123	
1 314	Brookfield Asset Management Inc.	5.040	08-Mar-2024	1 334	1 448	
4 865	Brookfield Asset Management Inc.	4.820	28-Jan-2026	4 974	5 272	
1 090	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	1 090	1 116	
2 225	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	2 229	2 260	
600	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	664	657	
1 320	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	1 420	1 437	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
610	Brookfield Renewable Energy Partners ULC	3.630	15-Jan-2027	$ 611	$ 597	
510	Bruce Power LP	2.844	23-Jun-2021	510	518	
224	Caisse Centrale Desjardins	3.502	05-Oct-2017	226	228	
1 340	Cameco Corp.	5.670	02-Sep-2019	1 504	1 436	
980	Cameco Corp.	3.750	14-Nov-2022	986	986	
3 895	Cameco Corp.	4.190	24-Jun-2024	3 902	3 926	
4 586	Canadian Imperial Bank of Commerce	3.000	28-Oct-2024	4 591	4 627	
235	Canadian Utilities Ltd.	9.400	01-May-2023	343	328	
1 080	Choice Properties LP	3.000	20-Apr-2017	1 104	1 081	
1 268	Choice Properties LP	3.600	20-Apr-2020	1 297	1 324	
190	Choice Properties Real Estate Investment Trust	3.554	05-Jul-2018	200	195	
595	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	629	629	
1 086	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	1 089	1 120	
330	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	330	336	
815	Cominar Real Estate Investment Trust	4.247	23-May-2023	815	824	
955	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	955	979	
555	Crosslinx Transit Solutions GP	4.555	30-Jun-2051	535	513	
1 065	CU Inc.	6.145	22-Nov-2017	1 211	1 112	
555	CU Inc.	9.920	01-Apr-2022	806	757	
1 150	CU Inc.	6.215	06-Mar-2024	1 362	1 419	
500	CU Inc.	5.556	30-Oct-2037	607	627	
485	CU Inc.	3.763	19-Nov-2046	485	483	
855	CU Inc.	4.558	07-Nov-2053	869	963	
2 915	CU Inc.	4.094	19-Oct-2054	2 915	3 025	
1 415	CU Inc.	4.211	29-Oct-2055	1 434	1 499	
599	Dufferin Wind Power Inc.	4.317	30-Nov-2033	599	593	
2 578	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	2 607	2 593	
5 500	Emera Inc.	4.830	02-Dec-2019	6 037	5 932	
1 147	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	1 299	1 298	
1 285	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	1 285	1 346	
565	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	565	550	
565	Enbridge Gas Distribution Inc.	5.210	25-Feb-2036	692	670	
305	Enbridge Gas Distribution Inc.	4.500	23-Nov-2043	362	339	
730	Enbridge Inc.	4.770	02-Sep-2019	793	786	
2 000	Enbridge Inc.	4.260	01-Feb-2021	2 056	2 154	
1 615	Enbridge Inc.	3.160	11-Mar-2021	1 646	1 668	
480	Enbridge Inc.	7.200	18-Jun-2032	650	613	
1 350	Enbridge Inc.	5.120	28-Sep-2040	1 394	1 433	
1 990	Enbridge Income Fund	2.920	14-Dec-2017	2 000	2 019	
265	Enbridge Income Fund	4.100	22-Feb-2019	277	278	
90	Enbridge Income Fund	4.870	21-Nov-2044	92	92	
1 240	Enbridge Pipelines Inc.	3.790	17-Aug-2023	1 309	1 330	
555	Enbridge Pipelines Inc.	8.200	15-Feb-2024	757	725	
4 645	Enbridge Pipelines Inc.	3.450	29-Sep-2025	4 684	4 826	
785	Enbridge Pipelines Inc.	3.000	10-Aug-2026	785	778	
1 480	Enbridge Pipelines Inc.	6.050	12-Feb-2029	1 882	1 761	
185	Enbridge Pipelines Inc.	5.330	06-Apr-2040	235	213	
870	Enbridge Pipelines Inc.	4.550	29-Sep-2045	837	905	
2 425	Enbridge Pipelines Inc.	4.130	09-Aug-2046	2 428	2 367	
2 149	Enbridge Southern Lights LP	4.014	30-Jun-2040	2 149	2 136	
1 010	Enersource Corp.	5.297	29-Apr-2041	1 178	1 220	
2 445	Enmax Corp.	6.150	19-Jun-2018	2 750	2 586	
1 560	Fortis Inc.	2.850	12-Dec-2023	1 562	1 564	
295	FortisAlberta Inc.	5.850	15-Apr-2038	375	380	
310	FortisAlberta Inc.	3.340	21-Sep-2046	309	280	
361	FortisBC Energy Inc.	6.500	01-May-2034	461	486	
600	FortisBC Energy Inc.	5.550	25-Sep-2036	685	749	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
340	FortisBC Energy Inc.	5.800	13-May-2038	$ 472	$ 438	
740	FortisBC Inc.	5.900	04-Jul-2047	973	990	
656	Grand Renewable Solar LP	3.926	31-Jan-2035	656	650	
3 933	Great-West Lifeco Finance Delaware LP	5.691	21-Jun-2067	3 856	3 905	
640	Greater Toronto Airports Authority	3.040	21-Sep-2022	681	675	
240	Greater Toronto Airports Authority	6.470	02-Feb-2034	338	330	
836	Horizon Holdings Inc.	3.033	25-Jul-2022	832	859	
2 083	Husky Energy Inc.	3.550	12-Mar-2025	2 027	2 108	
944	Hydro One Inc.	1.480	18-Nov-2019	944	945	
530	Hydro One Inc.	6.930	01-Jun-2032	781	732	
1 345	Hydro One Inc.	6.350	31-Jan-2034	1 751	1 794	
555	Hydro One Inc.	3.720	18-Nov-2047	555	546	
470	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	478	464	
1 110	Kingston Solar LP	3.571	31-Jul-2035	1 110	1 068	
410	Lower Mattagami Energy LP	2.307	21-Oct-2026	410	392	
340	Lower Mattagami Energy LP	5.139	18-May-2041	446	412	
1 225	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	1 225	1 298	
1 868	Maritimes & Northeast Pipeline LP	6.900	30-Nov-2019	2 104	2 004	
1 500	MEG Energy Corp. USD	6.500	15-Mar-2021	1 452	1 873	
1 730	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	1 730	1 766	
665	Mountain View Partners GP	3.974	31-Mar-2051	665	619	
1 500	North Battleford Power LP	4.958	31-Dec-2032	1 500	1 654	
2 470	North West Redwater Partnership	4.250	01-Jun-2029	2 461	2 645	
275	North West Redwater Partnership	4.150	01-Jun-2033	275	288	
595	North West Redwater Partnership	4.750	01-Jun-2037	591	667	
421	Northland Power Solar Finance One LP	4.397	30-Jun-2032	421	441	
430	Nova Scotia Power Inc.	8.850	19-May-2025	619	603	
3 293	Pembina Pipeline Corp.	3.540	03-Feb-2025	3 303	3 351	
805	Pembina Pipeline Corp.	4.750	30-Apr-2043	815	796	
894	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	967	951	
1 196	Precision Drilling Corp. USD	6.625	15-Nov-2020	1 342	1 638	
910	PSS Generating Station LP	4.795	24-Oct-2067	910	940	
1 545	Ridley Grain Ltd.	5.227	01-Aug-2024	1 545	1 658	
264	RioCan Real Estate Investment Trust	2.870	05-Mar-2018	270	268	
1 955	Rogers Communications Inc.	5.380	04-Nov-2019	2 180	2 150	
3 287	Royal Bank of Canada*	2.820	12-Jul-2018	3 368	3 362	
1 900	Royal Bank of Canada*	2.890	11-Oct-2018	1 956	1 950	
17 755	Royal Bank of Canada*	1.400	26-Apr-2019	17 788	17 759	
2 475	Royal Bank of Canada*	1.650	15-Jul-2021	2 474	2 438	
8 675	Royal Bank of Canada*	1.583	13-Sep-2021	8 569	8 500	
1 470	SEC LP and Arci Ltd.	5.188	29-Aug-2033	1 470	1 541	
3 786	Seven Generations Energy Ltd. USD	8.250	15-May-2020	5 011	5 414	
1 010	SGTP Highway Bypass LP	4.105	31-Jan-2045	1 010	1 017	
405	Sun Life Financial Inc.	2.770	13-May-2024	410	411	
2 557	TELUS Corp.	4.850	05-Apr-2044	2 553	2 613	
1 995	TELUS Corp.	4.750	17-Jan-2045	2 020	2 008	
6 770	Teranet Holdings LP	4.807	16-Dec-2020	7 212	7 320	
425	Teranet Holdings LP	3.646	18-Nov-2022	425	436	
401	Teranet Holdings LP	5.754	17-Dec-2040	391	431	
750	Toromont Industries Ltd.	3.710	30-Sep-2025	750	753	
9 575	Toronto-Dominion Bank	1.680	08-Jun-2021	9 579	9 509	
2 820	Toronto-Dominion Bank	1.909	18-Jul-2023	2 820	2 744	
1 655	Toronto-Dominion Bank	2.692	24-Jun-2025	1 656	1 652	
2 130	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	2 137	2 168	
2 085	TransEd Partners GP	3.951	30-Sep-2050	1 928	1 873	
185	Union Gas Ltd.	9.700	06-Nov-2017	229	198	
600	Union Gas Ltd.	8.750	03-Aug-2018	745	664	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
433	Union Gas Ltd.	3.790	10-Jul-2023	$ 449	$ 470	
660	Union Gas Ltd.	2.810	01-Jun-2026	660	660	
717	Union Gas Ltd.	4.200	02-Jun-2044	761	758	
620	Union Gas Ltd.	3.800	01-Jun-2046	641	614	
390	Westcoast Energy Inc.	5.600	16-Jan-2019	430	419	
725	Westcoast Energy Inc.	3.883	28-Oct-2021	748	773	
965	Westcoast Energy Inc.	3.770	08-Dec-2025	1 017	999	
285	Westcoast Energy Inc.	6.750	15-Dec-2027	367	352	
315	Westcoast Energy Inc.	4.791	28-Oct-2041	338	326	
540	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	530	557	
				245 965	247 878	**10.5**
FEDERAL						
10 469	Canada Housing Trust No. 1	1.250	15-Dec-2020	10 435	10 431	
5 183	Canada Housing Trust No. 1	3.350	15-Dec-2020	5 693	5 581	
25 765	Canada Housing Trust No. 1	1.250	15-Jun-2021	25 833	25 550	
5 417	Canada Housing Trust No. 1	1.150	15-Dec-2021	5 315	5 316	
8 626	Canada Housing Trust No. 1	2.650	15-Mar-2022	9 197	9 080	
3 562	Canada Housing Trust No. 1	3.150	15-Sep-2023	3 934	3 858	
5 131	Canada Housing Trust No. 1	2.900	15-Jun-2024	5 659	5 470	
1 385	Government of Canada	1.750	01-Mar-2019	1 422	1 414	
790	Government of Canada	3.750	01-Jun-2019	858	845	
9 739	Government of Canada	1.750	01-Sep-2019	10 080	9 972	
440	Government of Canada	1.500	01-Mar-2020	452	448	
14 753	Government of Canada	3.500	01-Jun-2020	16 382	16 008	
10 468	Government of Canada	0.750	01-Sep-2020	10 505	10 377	
13 121	Government of Canada	0.750	01-Mar-2021	13 155	12 951	
12 110	Government of Canada	3.250	01-Jun-2021	13 559	13 232	
15 253	Government of Canada	0.750	01-Sep-2021	15 278	15 004	
33 431	Government of Canada	0.500	01-Mar-2022	32 602	32 273	
9 694	Government of Canada	2.750	01-Jun-2022	10 720	10 449	
7 248	Government of Canada	1.500	01-Jun-2026	7 085	7 112	
2 370	Government of Canada	5.750	01-Jun-2029	3 327	3 344	
715	Government of Canada	5.750	01-Jun-2033	1 127	1 064	
3 177	Government of Canada	5.000	01-Jun-2037	4 685	4 568	
5 852	Government of Canada	3.500	01-Dec-2045	7 595	7 275	
2 336	Government of Canada	1.250	01-Dec-2047	2 730	2 833	
7 667	Government of Canada	2.750	01-Dec-2048	8 368	8 425	
				225 996	222 880	**9.4**
PROVINCIAL/MUNICIPAL						
395	Access Justice Durham Ltd.	5.015	31-Aug-2039	435	447	
445	City of Ottawa	3.100	27-Jul-2048	440	404	
840	City of Vancouver	2.700	15-Dec-2026	839	834	
10	Hospital for Sick Children	5.217	16-Dec-2049	10	12	
510	Municipal Finance Authority of British Columbia	3.350	01-Jun-2022	509	545	
3 536	Ontario Electricity Financial Corp.	8.500	26-May-2025	5 118	5 123	
6 908	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	10 267	10 128	
630	Ontrea Inc.	4.619	09-Apr-2018	630	645	
7 531	Province of Alberta	2.350	01-Jun-2025	7 694	7 486	
1 000	Province of Alberta	3.500	01-Jun-2031	1 092	1 046	
778	Province of Alberta	3.900	01-Dec-2033	850	847	
2 546	Province of Alberta	3.450	01-Dec-2043	2 840	2 602	
5 595	Province of Alberta	3.300	01-Dec-2046	5 978	5 584	
834	Province of Manitoba	4.050	05-Sep-2045	911	932	
7 600	Province of Manitoba	2.850	05-Sep-2046	6 968	6 835	
1 669	Province of New Brunswick	3.650	03-Jun-2024	1 846	1 816	
1 284	Province of New Brunswick	4.800	03-Jun-2041	1 498	1 541	
1 836	Province of New Brunswick	3.550	03-Jun-2043	1 780	1 835	

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

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL (cont.)						
3 458	Province of New Brunswick	3.800	14-Aug-2045	$ 3 669	$ 3 614	
2 694	Province of Newfoundland and Labrador	3.300	17-Oct-2046	2 522	2 457	
2 573	Province of Ontario	4.200	02-Jun-2020	2 828	2 811	
9 323	Province of Ontario	2.850	02-Jun-2023	10 051	9 769	
9 055	Province of Ontario	8.100	08-Sep-2023	12 822	12 412	
857	Province of Ontario	7.500	07-Feb-2024	1 193	1 153	
1 157	Province of Ontario	3.500	02-Jun-2024	1 295	1 257	
11 240	Province of Ontario	8.500	02-Dec-2025	16 956	16 583	
3 947	Province of Ontario	2.400	02-Jun-2026	4 068	3 918	
27 858	Province of Ontario	7.600	02-Jun-2027	40 973	40 544	
14 663	Province of Ontario	6.200	02-Jun-2031	20 592	20 162	
9 140	Province of Ontario	5.600	02-Jun-2035	12 706	12 258	
3 707	Province of Ontario	4.700	02-Jun-2037	4 640	4 536	
13 300	Province of Ontario	4.600	02-Jun-2039	17 405	16 202	
1 209	Province of Ontario	4.650	02-Jun-2041	1 630	1 496	
21 061	Province of Ontario	3.500	02-Jun-2043	22 453	22 026	
2 211	Province of Ontario	3.450	02-Jun-2045	2 388	2 299	
14 880	Province of Ontario	2.900	02-Dec-2046	14 392	13 947	
2 068	Province of Ontario	2.800	02-Jun-2048	2 118	1 904	
4 847	Province of Quebec	9.375	16-Jan-2023	7 223	6 874	
10 769	Province of Quebec	8.500	01-Apr-2026	16 337	15 980	
4 090	Province of Quebec	6.000	01-Oct-2029	5 403	5 447	
1 677	Province of Quebec	3.500	01-Dec-2045	1 828	1 751	
738	Province of Quebec	3.500	01-Dec-2048	762	778	
1 267	Province of Saskatchewan	2.550	02-Jun-2026	1 273	1 266	
210	Province of Saskatchewan	5.750	05-Mar-2029	293	270	
615	Province of Saskatchewan	6.400	05-Sep-2031	937	851	
1 811	Province of Saskatchewan	3.900	02-Jun-2045	2 235	1 991	
2 535	Province of Saskatchewan	2.750	02-Dec-2046	2 473	2 252	
2 297	South Coast British Columbia Transportation Authority	3.800	02-Nov-2020	2 418	2 472	
500	South Coast British Columbia Transportation Authority	4.450	09-Jun-2044	583	572	
710	University of Ottawa	3.256	12-Oct-2056	710	627	
				286 881	279 141	**11.8**
TOTAL CANADIAN BONDS				758 842	749 899	**31.7**
UNITED KINGDOM BONDS						
5 490	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-2017	5 530	5 548	
1 967	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	1 965	2 033	
TOTAL UNITED KINGDOM BONDS				7 495	7 581	**0.3**
UNITED STATES BONDS						
360	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-2023	360	376	
3 825	AT&T Inc. CAD	3.825	25-Nov-2020	3 882	4 023	
380	Bank of America Corp. CAD	3.228	22-Jun-2022	390	391	
425	Citigroup Inc. CAD	4.650	11-Oct-2022	424	573	
1 415	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	1 396	1 398	
725	Molson Coors International LP CAD	2.250	18-Sep-2018	723	732	
3 995	Molson Coors International LP CAD	2.750	18-Sep-2020	3 974	4 062	
1 105	Molson Coors International LP CAD	2.840	15-Jul-2023	1 105	1 092	
1 300	Molson Coors International LP CAD	3.440	15-Jul-2026	1 300	1 274	
3 720	Wells Fargo & Co. CAD	2.509	27-Oct-2023	3 720	3 655	
3 201	Wells Fargo & Co. CAD	2.975	19-May-2026	3 207	3 125	
TOTAL UNITED STATES BONDS				20 481	20 701	**0.9**
TOTAL BONDS				788 438	779 822	**33.0**

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

PHILLIPS, HAGER & NORTH
Investment Management®

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
MORTGAGE-BACKED SECURITIES						
67	Equitable Bank	4.350	01-Jan-2018	$ 69	$ 69	
34	Peoples Trust	4.200	01-Oct-2019	34	36	
TOTAL MORTGAGE-BACKED SECURITIES				103	105	–
SHORT-TERM INVESTMENTS‡				32 289	32 289	**1.4**
TOTAL INVESTMENTS				2 262 958	2 355 615	**99.6**
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	(160)	–
TOTAL PORTFOLIO				$ 2 262 958	2 355 455	**99.6**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					9 135	**0.4**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 2 364 590	**100.0**

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought CAD 14 247 Sold USD 10 734 @ 1.3273	21-Feb-2017	$ (156)
Bought CAD 198 Sold USD 150 @ 1.3200	21-Feb-2017	(3)
Bought CAD 133 Sold USD 100 @ 1.3329	21-Feb-2017	(1)
TOTAL FOREIGN EXCHANGE		$ (160)

All counterparties have a credit rating of at least A.

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

† Illiquid security.

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.76% to 1.03% and mature between January 3, 2017 and May 3, 2017.

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

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 2 355 615**	$ 2 581 670
Cash	**3 799**	906
Due from investment dealers	**5 814**	346
Subscriptions receivable	**1 072**	599
Dividends receivable, interest accrued and other assets	**6 795**	10 032
TOTAL ASSETS	**2 373 095**	2 593 553
LIABILITIES		
Due to investment dealers	**1 877**	386
Redemptions payable	**3 116**	5 340
Unrealized loss on foreign exchange contracts	**160**	–
Accounts payable and accrued expenses	**3 352**	3 780
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**8 505**	9 506
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 2 364 590**	$ 2 584 047
Investments at cost	**$ 2 262 958**	$ 2 692 532
NAV		
SERIES A	**$ 1 790 651**	$ 2 048 442
ADVISOR SERIES	**$ 81 979**	$ 94 677
SERIES H	**$ 59 545**	$ 40 118
SERIES D	**$ 135 614**	$ 130 065
SERIES F	**$ 117 816**	$ 66 943
SERIES I	**$ 9 571**	$ 8 160
SERIES O	**$ 169 414**	$ 195 642
NAV PER UNIT		
SERIES A	**$ 9.72**	$ 9.08
ADVISOR SERIES	**$ 9.72**	$ 9.08
SERIES H	**$ 9.81**	$ 9.15
SERIES D	**$ 10.35**	$ 9.58
SERIES F	**$ 10.55**	$ 9.74
SERIES I	**$ 10.64**	$ 9.81
SERIES O	**$ 11.14**	$ 10.21

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 43 482**	$ 64 510
Interest for distribution purposes	**28 024**	35 113
Other income (loss)	**502**	3 087
Other income received from underlying funds	**12 884**	13 368
Securities lending revenue (see note 6 in the generic notes)	**198**	290
Capital gains received from underlying funds	**730**	–
Net realized gain (loss) on investments	**37 489**	(13 830)
Net gain (loss) on foreign currencies and other net assets	**(322)**	(419)
Change in unrealized gain (loss) on investments	**203 359**	(168 799)
TOTAL INCOME (LOSS)	**326 346**	(66 680)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**34 953**	45 124
Administration fees	**2 328**	2 979
Independent Review Committee costs	**2**	3
GST/HST	**3 566**	4 605
Transaction costs	**4 152**	7 437
Withholding tax	**–**	76
TOTAL EXPENSES	**45 001**	60 224
INCREASE (DECREASE) IN NAV	**$ 281 345**	$ (126 904)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 214 650**	$ (104 761)
ADVISOR SERIES	**$ 10 155**	$ (4 997)
SERIES H	**$ 6 305**	$ (2 210)
SERIES D	**$ 16 380**	$ (5 599)
SERIES F	**$ 9 442**	$ (2 526)
SERIES I	**$ 1 127**	$ (515)
SERIES O	**$ 23 286**	$ (6 296)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 1.10**	$ (0.42)
ADVISOR SERIES	**$ 1.12**	$ (0.42)
SERIES H	**$ 1.03**	$ (0.40)
SERIES D	**$ 1.25**	$ (0.36)
SERIES F	**$ 1.20**	$ (0.34)
SERIES I	**$ 1.29**	$ (0.31)
SERIES O	**$ 1.45**	$ (0.27)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 281 345**	$ (126 904)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**(59)**	–
Net realized loss (gain) on investments	**(32 193)**	13 830
Change in unrealized loss (gain) on investments	**(203 359)**	168 799
(Increase) decrease in accrued receivables	**3 237**	1 640
Increase (decrease) in accrued payables	**(428)**	(1 533)
Cost of investments purchased	**(7 661 687)**	(8 283 056)
Proceeds on sales of investments	**8 119 536**	8 964 677
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**506 392**	737 453
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**229 577**	291 985
Cash paid on redemption of redeemable units	**(718 586)**	(1 009 356)
Distributions paid to holders of redeemable units	**(14 490)**	(20 255)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (503 499)**	$ (737 626)
Net increase (decrease) in cash for the period	**2 893**	(173)
Cash (bank overdraft), beginning of period	**906**	1 079
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 3 799**	$ 906
Interest received (paid)	**$ 29 084**	$ 36 944
Dividends received, net of withholding taxes	**$ 46 102**	$ 67 331

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series H		Series D	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 2 048 442**	$ 2 754 742	**$ 94 677**	$ 133 056	**$ 40 118**	$ 58 352	**$ 130 065**	$ 153 635
INCREASE (DECREASE) IN NAV	**214 650**	(104 761)	**10 155**	(4 997)	**6 305**	(2 210)	**16 380**	(5 599)
Early redemption fees	**1**	2	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**101 783**	191 197	**6 429**	13 944	**28 793**	12 876	**18 285**	25 482
Reinvestments of distributions to holders of redeemable units	**81 974**	112 719	**2 564**	3 603	**1 790**	1 792	**4 420**	5 388
Redemption of redeemable units	**(565 783)**	(779 894)	**(27 629)**	(44 919)	**(14 838)**	(27 913)	**(27 209)**	(41 249)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(382 025)**	(475 976)	**(18 636)**	(27 372)	**15 745**	(13 245)	**(4 504)**	(10 379)
Distributions from net income	**(49 322)**	(50 489)	**(2 301)**	(2 417)	**(1 431)**	(1 117)	**(3 451)**	(3 053)
Distributions from net gains	**(15 145)**	(10 158)	**(706)**	(486)	**(439)**	(225)	**(1 060)**	(614)
Distributions from capital	**(25 949)**	(64 916)	**(1 210)**	(3 107)	**(753)**	(1 437)	**(1 816)**	(3 925)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(90 416)**	(125 563)	**(4 217)**	(6 010)	**(2 623)**	(2 779)	**(6 327)**	(7 592)
NET INCREASE (DECREASE) IN NAV	**(257 791)**	(706 300)	**(12 698)**	(38 379)	**19 427**	(18 234)	**5 549**	(23 570)
NAV AT END OF PERIOD	**$ 1 790 651**	$ 2 048 442	**$ 81 979**	$ 94 677	**$ 59 545**	$ 40 118	**$ 135 614**	$ 130 065

For the periods ended December 31	Series F		Series I		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 66 943**	$ 85 017	**$ 8 160**	$ 16 892	**$ 195 642**	$ 250 753	**$ 2 584 047**	$ 3 452 447
INCREASE (DECREASE) IN NAV	**9 442**	(2 526)	**1 127**	(515)	**23 286**	(6 296)	**281 345**	(126 904)
Early redemption fees	**–**	–	**–**	–	**–**	–	**1**	2
Proceeds from redeemable units issued	**62 908**	20 958	**2 453**	3 218	**9 399**	22 882	**230 050**	290 557
Reinvestments of distributions to holders of redeemable units	**2 315**	2 552	**333**	546	**8 212**	11 784	**101 608**	138 384
Redemption of redeemable units	**(20 035)**	(35 017)	**(2 079)**	(11 262)	**(58 790)**	(71 546)	**(716 363)**	(1 011 800)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**45 188**	(11 507)	**707**	(7 498)	**(41 179)**	(36 880)	**(384 704)**	(582 857)
Distributions from net income	**(2 050)**	(1 625)	**(231)**	(289)	**(4 547)**	(4 799)	**(63 333)**	(63 789)
Distributions from net gains	**(629)**	(327)	**(71)**	(58)	**(1 396)**	(966)	**(19 446)**	(12 834)
Distributions from capital	**(1 078)**	(2 089)	**(121)**	(372)	**(2 392)**	(6 170)	**(33 319)**	(82 016)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(3 757)**	(4 041)	**(423)**	(719)	**(8 335)**	(11 935)	**(116 098)**	(158 639)
NET INCREASE (DECREASE) IN NAV	**50 873**	(18 074)	**1 411**	(8 732)	**(26 228)**	(55 111)	**(219 457)**	(868 400)
NAV AT END OF PERIOD	**$ 117 816**	$ 66 943	**$ 9 571**	$ 8 160	**$ 169 414**	$ 195 642	**$ 2 364 590**	$ 2 584 047

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

Series H and Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016. Existing investors who hold Series H and Series I units of the Fund can continue to make additional investments into these series. In addition, RBC GAM may maintain capacity for certain investors, including other related funds, that may invest in these series.

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 0.3% (December 31, 2015 – 0.0%) of the net assets of the Fund.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 42.8% (December 31, 2015 – 43.9%) 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 2016**	December 31 2015
AAA	**25.4**	24.9
AA	**26.2**	28.6
A	**12.1**	11.2
BBB	**17.0**	17.0
BB	**7.3**	10.0
B	**9.0**	7.6
CCC	**2.8**	0.6
Unrated	**0.2**	0.1
Total	**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 2016**	December 31 2015
Canadian Equities	**50.3**	50.3
Bonds	**42.8**	44.0
Preferred Equities	**5.1**	5.6
Cash/Other	**1.8**	0.1
Total	**100.0**	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 33.0% (December 31, 2015 – 34.7%) of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**3.6**	10.9
1 – 5 years	**32.5**	28.3
5 – 10 years	**30.7**	26.0
> 10 years	**33.2**	34.8
Total	**100.0**	100.0

As at December 31, 2016, 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, 2015 – 2.5%). 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 2016	December 31 2015
S&P/TSX Capped Composite Total Return Index	**+ or - 0.6**	+ or - 0.6

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	Level 1	Level 2	Level 3	Total
Equities	**1 305 148**	**7 137**	**–**	**1 312 285**
Mutual fund units	**231 114**	**–**	**–**	**231 114**
Fixed-income and debt securities	**–**	**779 927**	**–**	**779 927**
Short-term investments	**–**	**32 289**	**–**	**32 289**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**(160)**	**–**	**(160)**
Total financial instruments	**1 536 262**	**819 193**	**–**	**2 355 455**
% of total portfolio	**65.2**	**34.8**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 446 205	–	–	1 446 205
Mutual fund units	239 857	–	–	239 857
Fixed-income and debt securities	–	894 458	–	894 458
Short-term investments	–	1 150	–	1 150
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 686 062	895 608	–	2 581 670
% of total portfolio	65.3	34.7	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	1.65%	0.10%
Advisor Series	1.65%	0.10%
Series H	1.50%	0.10%
Series D	0.90%	0.10%
Series F	0.65%	0.10%
Series I	0.50%	0.10%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Advisor Series	**139**	133
Series H	**131**	125
Series I	**127**	121
Series O	**69**	66
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North High Yield Bond Fund	**4.2**	**2.4**	3.7	3.0
RBC High Yield Bond Fund	**5.6**	**6.5**	5.6	8.6

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**225 496**	274 644
Issued number of units	**10 862**	19 313
Reinvested number of units	**8 713**	11 644
Redeemed number of units	**(60 915)**	(80 105)
Ending number of units	**184 156**	225 496
Advisor Series		
Opening units	**10 422**	13 265
Issued number of units	**689**	1 403
Reinvested number of units	**273**	372
Redeemed number of units	**(2 953)**	(4 618)
Ending number of units	**8 431**	10 422

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)	2016	2015
Series H		
Opening units	**4 385**	5 789
Issued number of units	**3 045**	1 283
Reinvested number of units	**187**	184
Redeemed number of units	**(1 550)**	(2 871)
Ending number of units	**6 067**	4 385
Series D		
Opening units	**13 571**	14 642
Issued number of units	**1 846**	2 464
Reinvested number of units	**443**	530
Redeemed number of units	**(2 753)**	(4 065)
Ending number of units	**13 107**	13 571
Series F		
Opening units	**6 872**	7 994
Issued number of units	**6 069**	2 004
Reinvested number of units	**227**	247
Redeemed number of units	**(1 997)**	(3 373)
Ending number of units	**11 171**	6 872
Series I		
Opening units	**832**	1 581
Issued number of units	**242**	299
Reinvested number of units	**32**	52
Redeemed number of units	**(206)**	(1 100)
Ending number of units	**900**	832
Series O		
Opening units	**19 159**	22 678
Issued number of units	**883**	2 068
Reinvested number of units	**769**	1 093
Redeemed number of units	**(5 605)**	(6 680)
Ending number of units	**15 206**	19 159

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	%	$	%
Total transaction costs	**4 152**	**100**	7 437	100
Related-party brokerage commissions*	**318**	**8**	359	5
Commission arrangements†	**452**	**11**	1 970	26

* 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 except %) (see note 6 in the generic notes)

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**276 397**	348 911
Fair value of collateral received	**282 272**	367 322

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

	December 31 2016		December 31 2015	
	$	%	$	%
Gross revenue	**318**	**100**	461	100
RBC IS (paid)	**(111)**	**(35)**	(161)	(35)
Tax withheld	**(9)**	**(3)**	(10)	(2)
Fund revenue	**198**	**62**	290	63

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 2016	December 31 2015
Phillips, Hager & North Monthly Income Class	**5.3**	5.7

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH BALANCED FUND

December 31, 2016

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
29 993 726	Phillips, Hager & North Bond Fund*	$ 315 016	$ 307 223	
22 811 975	Phillips, Hager & North Canadian Equity Underlying Fund*	220 638	268 349	
439 055	Phillips, Hager & North Canadian Money Market Fund*	4 391	4 391	
2 299 348	RBC Emerging Markets Equity Fund*	30 753	33 135	
13 045 401	RBC Global Equity Focus Fund*	146 625	174 508	
1 196 006	RBC High Yield Bond Fund*	12 710	12 965	
5 011 248	RBC QUBE Global Equity Fund*	64 636	59 052	
TOTAL MUTUAL FUND UNITS		794 769	859 623	**99.7**
SHORT-TERM INVESTMENTS†		2 063	2 063	**0.2**
TOTAL INVESTMENTS		$ 796 832	861 686	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			535	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 862 221	**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 0.45% to 0.80% and mature between January 3, 2017 and January 12, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 861 686**	$ 789 294
Cash	**250**	–
Due from investment dealers	**–**	2 200
Subscriptions receivable	**1 035**	466
Dividends receivable, interest accrued and other assets	**3**	4
TOTAL ASSETS	**862 974**	791 964
LIABILITIES		
Redemptions payable	**131**	866
Accounts payable and accrued expenses	**622**	572
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**753**	1 438
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 862 221**	$ 790 526
Investments at cost	**$ 796 832**	$ 747 068
NAV		
SERIES A	**$ 24 070**	$ 24 677
ADVISOR SERIES	**$ 12 629**	$ 5 881
SERIES D	**$ 775 562**	$ 713 802
SERIES F	**$ 11 697**	$ 7 085
SERIES O	**$ 38 263**	$ 39 081
NAV PER UNIT		
SERIES A	**$ 19.31**	$ 18.63
ADVISOR SERIES	**$ 19.36**	$ 18.64
SERIES D	**$ 19.26**	$ 18.47
SERIES F	**$ 19.24**	$ 18.46
SERIES O	**$ 19.05**	$ 18.26

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 29**	$ 34
Other income received from underlying funds	**22 864**	21 776
Capital gains received from underlying funds	**16 389**	15 594
Net realized gain (loss) on investments	**5 626**	15 125
Net gain (loss) on foreign currencies and other net assets	**–**	3
Change in unrealized gain (loss) on investments	**22 628**	(8 951)
TOTAL INCOME (LOSS)	**67 536**	43 581
EXPENSES (see notes – Fund Specific Information)		
Management fees	**6 153**	5 812
Administration fees	**332**	315
Independent Review Committee costs	**2**	3
GST/HST	**486**	453
TOTAL EXPENSES	**6 973**	6 583
INCREASE (DECREASE) IN NAV	**$ 60 563**	$ 36 998
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 1 477**	$ 880
ADVISOR SERIES	**$ 406**	$ 130
SERIES D	**$ 54 801**	$ 33 169
SERIES F	**$ 716**	$ 461
SERIES O	**$ 3 163**	$ 2 358
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 1.17**	$ 0.71
ADVISOR SERIES	**$ 1.21**	$ 0.71
SERIES D	**$ 1.41**	$ 0.93
SERIES F	**$ 1.37**	$ 0.92
SERIES O	**$ 1.53**	$ 1.08

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 60 563**	$ 36 998
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(5 626)**	(15 125)
Change in unrealized loss (gain) on investments	**(22 628)**	8 951
(Increase) decrease in accrued receivables	**1**	(1)
Increase (decrease) in accrued payables	**50**	23
Cost of investments purchased	**(380 267)**	(444 139)
Proceeds on sales of investments	**338 329**	381 375
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(9 578)**	(31 918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**115 439**	127 209
Cash paid on redemption of redeemable units	**(104 053)**	(92 829)
Distributions paid to holders of redeemable units	**(1 558)**	(2 485)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 9 828**	$ 31 895
Net increase (decrease) in cash for the period	**250**	(23)
Cash (bank overdraft), beginning of period	**–**	23
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 250**	$ –
Interest received (paid)	**$ 29**	$ 33
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 24 677**	$ 23 095	**$ 5 881**	$ 3 940	**$ 713 802**	$ 647 200	**$ 7 085**	$ 9 185
INCREASE (DECREASE) IN NAV	**1 477**	880	**406**	130	**54 801**	33 169	**716**	461
Early redemption fees	**–**	–	**–**	–	**1**	–	**–**	–
Proceeds from redeemable units issued	**7 160**	7 382	**7 502**	2 563	**83 974**	109 633	**12 654**	2 927
Reinvestments of distributions to holders of redeemable units	**561**	1 033	**263**	255	**23 375**	36 082	**299**	257
Redemption of redeemable units	**(9 184)**	(6 576)	**(1 137)**	(732)	**(76 243)**	(75 076)	**(8 697)**	(5 358)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(1 463)**	1 839	**6 628**	2 086	**31 107**	70 639	**4 256**	(2 174)
Distributions from net income	**(318)**	(322)	**(156)**	(80)	**(14 157)**	(13 569)	**(206)**	(141)
Distributions from net gains	**(303)**	(815)	**(130)**	(195)	**(9 991)**	(23 637)	**(154)**	(246)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(621)**	(1 137)	**(286)**	(275)	**(24 148)**	(37 206)	**(360)**	(387)
NET INCREASE (DECREASE) IN NAV	**(607)**	1 582	**6 748**	1 941	**61 760**	66 602	**4 612**	(2 100)
NAV AT END OF PERIOD	**$ 24 070**	$ 24 677	**$ 12 629**	$ 5 881	**$ 775 562**	$ 713 802	**$ 11 697**	$ 7 085

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2016	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 39 081**	$ 38 910	**$ 790 526**	$ 722 330
INCREASE (DECREASE) IN NAV	**3 163**	2 358	**60 563**	36 998
Early redemption fees	**–**	–	**1**	–
Proceeds from redeemable units issued	**4 718**	4 636	**116 008**	127 141
Reinvestments of distributions to holders of redeemable units	**876**	1 306	**25 374**	38 933
Redemption of redeemable units	**(8 058)**	(5 716)	**(103 319)**	(93 458)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(2 464)**	226	**38 064**	72 616
Distributions from net income	**(1 025)**	(1 074)	**(15 862)**	(15 186)
Distributions from net gains	**(492)**	(1 339)	**(11 070)**	(26 232)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(1 517)**	(2 413)	**(26 932)**	(41 418)
NET INCREASE (DECREASE) IN NAV	**(818)**	171	**71 695**	68 196
NAV AT END OF PERIOD	**$ 38 263**	$ 39 081	**$ 862 221**	$ 790 526

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Bonds	**37.3**	37.1
Canadian Equities	**31.1**	29.8
Global Equities	**30.8**	31.1
Cash/Other	**0.8**	2.0
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, 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 2.7% (December 31, 2015 – 2.6%). 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, 2016, 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, 2015 – 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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.5**	+ or -	0.5
MSCI World Total Return Net Index (CAD)	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**859 623**	**–**	**–**	**859 623**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**2 063**	**–**	**2 063**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**859 623**	**2 063**	**–**	**861 686**
% of total portfolio	**99.8**	**0.2**	**–**	**100.0**

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

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	786 808	–	–	786 808
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 486	–	2 486
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	786 808	2 486	–	789 294
% of total portfolio	99.7	0.3	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	1.75%	0.08%
Advisor Series	1.75%	0.08%
Series D	0.75%	0.04%
Series F	0.75%	0.08%
Series O	n/a*	0.01%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**38**	37
Advisor Series	**74**	72
Series D	**40**	39
Series F	**40**	39
Series O	**43**	41
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Bond Fund	**35.7**	**3.0**	34.1	3.0
Phillips, Hager & North Canadian Equity Underlying Fund	**31.2**	**10.7**	29.8	9.9
Phillips, Hager & North Canadian Money Market Fund	**0.5**	**0.3**	1.5	0.8
RBC Emerging Markets Equity Fund	**3.8**	**1.3**	4.0	1.4
RBC Global Equity Focus Fund	**20.2**	**8.1**	20.3	9.0
RBC High Yield Bond Fund	**1.5**	**0.6**	3.0	1.4
RBC QUBE Global Equity Fund	**6.8**	**16.8**	6.8	12.2

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**1 325**	1 230
Issued number of units	**379**	376
Reinvested number of units	**29**	55
Redeemed number of units	**(487)**	(336)
Ending number of units	**1 246**	1 325
Advisor Series		
Opening units	**316**	210
Issued number of units	**382**	129
Reinvested number of units	**14**	14
Redeemed number of units	**(60)**	(37)
Ending number of units	**652**	316

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**38 649**	34 942
Issued number of units	**4 454**	5 638
Reinvested number of units	**1 213**	1 935
Redeemed number of units	**(4 042)**	(3 866)
Ending number of units	**40 274**	38 649
Series F		
Opening units	**384**	495
Issued number of units	**659**	151
Reinvested number of units	**16**	14
Redeemed number of units	**(451)**	(276)
Ending number of units	**608**	384
Series O		
Opening units	**2 140**	2 124
Issued number of units	**254**	242
Reinvested number of units	**46**	71
Redeemed number of units	**(431)**	(297)
Ending number of units	**2 009**	2 140

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

December 31, 2016

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
2 645 405	Phillips, Hager & North Community Values Bond Fund*	$ 28 939	$ 28 127	
894 241	Phillips, Hager & North Community Values Canadian Equity Fund*	20 605	23 613	
1 771 815	Phillips, Hager & North Community Values Global Equity Fund*	21 381	23 398	
TOTAL MUTUAL FUND UNITS		70 925	75 138	**98.9**
SHORT-TERM INVESTMENTS†		799	799	**1.1**
TOTAL INVESTMENTS		$ 71 724	75 937	**100.0**
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(3)	–
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 75 934	**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 0.80% and mature on January 12, 2017.

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

PHILLIPS, HAGER & NORTH
Investment Management®

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 75 937**	$ 60 625
Cash	**111**	–
Subscriptions receivable	**27**	32
Dividends receivable, interest accrued and other assets	**–**	3
TOTAL ASSETS	**76 075**	60 660
LIABILITIES		
Due to investment dealers	**85**	–
Redemptions payable	**1**	77
Accounts payable and accrued expenses	**55**	42
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**141**	119
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 75 934**	$ 60 541
Investments at cost	**$ 71 724**	$ 58 718
NAV		
SERIES A	**$ 10 057**	$ 8 395
ADVISOR SERIES	**$ 8 012**	$ 4 500
SERIES D	**$ 22 819**	$ 19 596
SERIES F	**$ 6 469**	$ 2 153
SERIES O	**$ 28 577**	$ 25 897
NAV PER UNIT		
SERIES A	**$ 15.19**	$ 14.55
ADVISOR SERIES	**$ 15.20**	$ 14.56
SERIES D	**$ 14.97**	$ 14.35
SERIES F	**$ 15.18**	$ 14.55
SERIES O	**$ 15.01**	$ 14.39

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	**$ 9**	$ 6
Other income received from underlying funds	**1 706**	1 413
Capital gains received from underlying funds	**1 344**	1 409
Net realized gain (loss) on investments	**220**	944
Change in unrealized gain (loss) on investments	**2 306**	(544)
TOTAL INCOME (LOSS)	**5 585**	3 228
EXPENSES (see notes – Fund Specific Information)		
Management fees	**450**	328
Administration fees	**64**	57
Independent Review Committee costs	**2**	3
GST/HST	**50**	38
Expenses reimbursed by manager	**–**	(3)
TOTAL EXPENSES	**566**	423
INCREASE (DECREASE) IN NAV	**$ 5 019**	$ 2 805
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 568**	$ 232
ADVISOR SERIES	**$ 417**	$ 110
SERIES D	**$ 1 620**	$ 813
SERIES F	**$ 221**	$ 53
SERIES O	**$ 2 193**	$ 1 597
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.93**	$ 0.58
ADVISOR SERIES	**$ 1.02**	$ 0.58
SERIES D	**$ 1.11**	$ 0.75
SERIES F	**$ 1.16**	$ 0.75
SERIES O	**$ 1.21**	$ 0.89

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 5 019**	$ 2 805
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(220)**	(944)
Change in unrealized loss (gain) on investments	**(2 306)**	544
(Increase) decrease in accrued receivables	**3**	(3)
Increase (decrease) in accrued payables	**13**	12
Cost of investments purchased	**(153 161)**	(247 614)
Proceeds on sales of investments	**140 460**	233 481
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(10 192)**	(11 719)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**18 639**	16 806
Cash paid on redemption of redeemable units	**(8 304)**	(5 055)
Distributions paid to holders of redeemable units	**(32)**	(36)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 10 303**	$ 11 715
Net increase (decrease) in cash for the period	**111**	(4)
Cash (bank overdraft), beginning of period	**–**	4
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 111**	$ –
Interest received (paid)	**$ 9**	$ 6
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 8 395**	$ 5 335	**$ 4 500**	$ 2 460	**$ 19 596**	$ 14 009	**$ 2 153**	$ 758
INCREASE (DECREASE) IN NAV	**568**	232	**417**	110	**1 620**	813	**221**	53
Early redemption fees	**–**	–	**–**	–	**1**	1	**–**	–
Proceeds from redeemable units issued	**2 317**	3 892	**4 548**	2 511	**5 485**	7 019	**4 577**	1 760
Reinvestments of distributions to holders of redeemable units	**186**	313	**143**	177	**674**	1 001	**172**	94
Redemption of redeemable units	**(1 220)**	(1 054)	**(1 449)**	(579)	**(3 877)**	(2 241)	**(465)**	(401)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**1 283**	3 151	**3 242**	2 109	**2 283**	5 780	**4 284**	1 453
Distributions from net income	**(36)**	(36)	**(29)**	(20)	**(337)**	(315)	**(94)**	(35)
Distributions from net gains	**(153)**	(287)	**(118)**	(159)	**(343)**	(691)	**(95)**	(76)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(189)**	(323)	**(147)**	(179)	**(680)**	(1 006)	**(189)**	(111)
NET INCREASE (DECREASE) IN NAV	**1 662**	3 060	**3 512**	2 040	**3 223**	5 587	**4 316**	1 395
NAV AT END OF PERIOD	**$ 10 057**	$ 8 395	**$ 8 012**	$ 4 500	**$ 22 819**	$ 19 596	**$ 6 469**	$ 2 153

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 25 897**	$ 23 491	**$ 60 541**	$ 46 053
INCREASE (DECREASE) IN NAV	**2 193**	1 597	**5 019**	2 805
Early redemption fees	**–**	–	**1**	1
Proceeds from redeemable units issued	**1 707**	1 634	**18 634**	16 816
Reinvestments of distributions to holders of redeemable units	**1 079**	1 521	**2 254**	3 106
Redemption of redeemable units	**(1 218)**	(823)	**(8 229)**	(5 098)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**1 568**	2 332	**12 660**	14 825
Distributions from net income	**(656)**	(613)	**(1 152)**	(1 019)
Distributions from net gains	**(425)**	(910)	**(1 134)**	(2 123)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(1 081)**	(1 523)	**(2 286)**	(3 142)
NET INCREASE (DECREASE) IN NAV	**2 680**	2 406	**15 393**	14 488
NAV AT END OF PERIOD	**$ 28 577**	$ 25 897	**$ 75 934**	$ 60 541

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Bonds	**37.0**	37.3
Canadian Equities	**31.1**	29.9
Global Equities	**30.8**	30.9
Cash/Other	**1.1**	1.9
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, 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 2.8% (December 31, 2015 – 2.7%). 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, 2016, 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, 2015 – 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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.5**	+ or -	0.5
MSCI World Total Return Net Index (CAD)	**+ or -**	**0.5**	+ or -	0.6

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**75 138**	**–**	**–**	**75 138**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**799**	**–**	**799**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**75 138**	**799**	**–**	**75 937**
% of total portfolio	**98.9**	**1.1**	**–**	**100.0**

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	59 387	–	–	59 387
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 238	–	1 238
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	59 387	1 238	–	60 625
% of total portfolio	98.0	2.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	1.75%	0.10%
Advisor Series	1.75%	0.10%
Series D	0.75%	0.10%
Series F	0.75%	0.10%
Series O	n/a*	0.10%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**48**	47
Advisor Series	**95**	93
Series D	**104**	101
Series F	**52**	50
Series O	**55**	53
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Community Values Bond Fund	**37.0**	**14.7**	37.3	13.9
Phillips, Hager & North Community Values Canadian Equity Fund	**31.1**	**25.9**	29.9	24.7
Phillips, Hager & North Community Values Global Equity Fund	**30.8**	**17.4**	30.9	15.2

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**577**	369
Issued number of units	**155**	257
Reinvested number of units	**12**	21
Redeemed number of units	**(82)**	(70)
Ending number of units	**662**	577
Advisor Series		
Opening units	**309**	170
Issued number of units	**305**	165
Reinvested number of units	**9**	12
Redeemed number of units	**(96)**	(38)
Ending number of units	**527**	309
Series D		
Opening units	**1 366**	981
Issued number of units	**377**	465
Reinvested number of units	**45**	69
Redeemed number of units	**(263)**	(149)
Ending number of units	**1 525**	1 366

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series F		
Opening units	**148**	52
Issued number of units	**298**	116
Reinvested number of units	**11**	6
Redeemed number of units	**(31)**	(26)
Ending number of units	**426**	148
Series O		
Opening units	**1 799**	1 640
Issued number of units	**115**	108
Reinvested number of units	**72**	105
Redeemed number of units	**(82)**	(54)
Ending number of units	**1 904**	1 799

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
830 000	EnerCare Inc.	$ 12 746	$ 14 807	
745 000	Magna International Inc., Class A	12 497	43 434	
367 150	Restaurant Brands International Inc.	18 262	23 479	
875 000	Shaw Communications Inc., Class B	17 209	23 573	
		60 714	105 293	**4.1**
Consumer Staples				
350 000	Alimentation Couche-Tard Inc.	22 555	21 308	
1 000 000	Cott Corporation	16 791	15 200	
100 000	George Weston Ltd.	7 127	11 359	
660 001	Loblaw Companies Ltd.	30 735	46 754	
		77 208	94 621	**3.7**
Energy				
630 000	ARC Resources Ltd.	13 343	14 558	
873 764	Bonavista Energy Corp.	18 407	4 202	
400 000	Bonterra Energy Corp.	13 445	11 635	
1 160 000	Canadian Natural Resources Ltd.	47 051	49 636	
1 075 000	Cardinal Energy Ltd.	13 447	11 383	
1 150 000	Cenovus Energy Inc.	34 864	23 345	
595 694	Crescent Point Energy Corp.	25 280	10 871	
1 540 000	Enbridge Inc.	33 276	87 010	
500 000	Enbridge Income Fund Holdings Inc.	14 125	17 385	
507 100	Gibson Energy Inc.	10 186	9 625	
240 000	Keyera Corp.	10 347	9 710	
199 800	Parkland Fuel Corp.*, Subscription Receipts	4 895	4 895	
650 000	Pembina Pipeline Corp.	19 757	27 274	
499 600	PrairieSky Royalty Ltd.	15 295	15 957	
2 021 000	Suncor Energy Inc.	65 627	88 722	
(2 000)	Suncor Energy Inc., Written Call @ 44.00 January 20, 2017	(150)	(161)	
1 263 400	TransCanada Corp.	51 115	76 486	
(566)	TransCanada Corp., Written Call @ 61.00 January 20, 2017	(45)	(42)	
275 000	Vermilion Energy Inc.	14 192	15 535	
1 409 404	Whitecap Resources Inc.	16 482	17 138	
		420 939	495 164	**19.1**
Financials				
744 600	Alaris Royalty Corp.	18 747	17 833	
1 080 000	Bank of Montreal	58 085	104 296	
1 925 000	Bank of Nova Scotia	105 304	143 913	
2 100 000	Brookfield Asset Management Inc., Class A	34 289	93 030	
640 000	Canadian Imperial Bank of Commerce	38 166	70 118	
550 000	CI Financial Corp.	12 253	15 879	
27 600	Fairfax Financial Holdings Ltd.	18 311	17 899	
370 000	Intact Financial Corp.	21 198	35 557	
Financials (cont.)				
3 250 000	Manulife Financial Corporation	$ 63 222	$ 77 708	
1 000 000	Power Corporation of Canada	17 067	30 050	
2 415 000	Royal Bank of Canada†	83 795	219 451	
1 065 000	Sun Life Financial Inc.	30 912	54 901	
540 000	Thomson Corp.	17 892	31 730	
3 100 000	Toronto-Dominion Bank	61 157	205 282	
		580 398	1 117 647	**43.2**
Health Care				
500 000	Medical Facilities Corp.	8 453	8 785	
		8 453	8 785	**0.3**
Industrials				
1 320 000	Canadian National Railway Co.	34 685	119 275	
175 000	Canadian Pacific Railway Ltd.	17 914	33 523	
300 000	Russel Metals Inc.	8 276	7 674	
283 400	Stantec Inc.	8 573	9 613	
271 709	Waste Connections Inc.	24 135	28 622	
		93 583	198 707	**7.7**
Information Technology				
190 000	Open Text Corp.	13 495	15 755	
		13 495	15 755	**0.6**
Materials				
100 000	Agrium Inc.	6 429	13 496	
775 000	Chemtrade Logistics Income Fund	14 813	14 679	
210 000	Franco-Nevada Corp.	15 650	16 859	
1 150 000	Goldcorp Inc.	42 050	21 022	
880 000	Potash Corporation of Saskatchewan Inc.	23 641	21 375	
450 000	Silver Wheaton Corp.	11 097	11 673	
450 000	Teck Resources Ltd., Class B	21 042	12 092	
(1 500)	Teck Resources Ltd., Class B, Written Call @ 32.00 January 20, 2017	(212)	(24)	
		134 510	111 172	**4.3**
Real Estate				
382 797	Allied Properties Real Estate Investment Trust	12 719	13 762	
830 000	Brookfield Property Partners LP	17 790	24 344	
700 000	First Capital Realty Inc.	10 338	14 469	
863 800	Milestone Apartments Real Estate Investment Trust	13 082	16 412	
2 000 000	Pure Industrial Real Estate Investment Trust	10 643	11 180	
300 000	Smart Real Estate Investment Trust	8 459	9 687	
		73 031	89 854	**3.5**
Telecommunication Services				
1 050 000	BCE Inc.	38 649	60 932	
565 000	Rogers Communications Inc., Class B	20 387	29 261	
995 000	TELUS Corp.	27 115	42 536	
		86 151	132 729	**5.1**

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

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
325 000	Atco Ltd., Class I, Non-Voting	$ 2 826	$ 14 515	
650 000	Brookfield Infrastructure Partners LP	11 907	29 198	
515 000	Brookfield Renewable Partners LP	13 252	20 523	
550 000	Canadian Utilities Ltd., Class A	15 371	19 905	
1 200 000	Crius Energy Trust	10 196	10 116	
485 000	Fortis Inc.	14 482	20 108	
300 000	Northland Power Inc.	4 917	6 990	
800 000	Superior Plus Corp.	6 739	10 200	
1 600 000	TransAlta Corp.	14 880	11 888	
		94 570	143 443	**5.6**
TOTAL CANADIAN EQUITIES		1 643 052	2 513 170	**97.2**

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
7 800	Element Fleet Management Corp., Convertible	4.250	30-Jun-2020	$ 7 800	$ 8 081	
TOTAL CANADIAN BONDS				7 800	8 081	**0.3**
SHORT-TERM INVESTMENTS‡				60 321	60 321	**2.3**
TOTAL INVESTMENTS				$ 1 711 173	2 581 572	**99.8**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					5 095	**0.2**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 2 586 667	**100.0**

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.45% to 0.86% and mature between January 3, 2017 and January 31, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 2 581 572**	$ 2 257 197
Cash	**1 899**	932
Due from investment dealers	**–**	1 892
Subscriptions receivable	**537**	367
Unrealized gain on foreign exchange contracts	**–**	5
Dividends receivable, interest accrued and other assets	**6 513**	7 209
TOTAL ASSETS	**2 590 521**	2 267 602
LIABILITIES		
Redemptions payable	**2 265**	1 914
Unrealized loss on foreign exchange contracts	**–**	23
Accounts payable and accrued expenses	**1 589**	1 646
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**3 854**	3 583
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 2 586 667**	$ 2 264 019
Investments at cost	**$ 1 711 173**	$ 1 765 370
NAV		
SERIES A	**$ 74 417**	$ 59 220
ADVISOR SERIES	**$ 10 934**	$ 6 470
SERIES D	**$ 1 681 957**	$ 1 498 563
SERIES F	**$ 46 199**	$ 32 131
SERIES O	**$ 773 160**	$ 667 635
NAV PER UNIT		
SERIES A	**$ 103.90**	$ 87.03
ADVISOR SERIES	**$ 103.91**	$ 87.06
SERIES D	**$ 102.91**	$ 86.24
SERIES F	**$ 103.73**	$ 86.92
SERIES O	**$ 101.31**	$ 84.92

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 82 411**	$ 90 208
Interest for distribution purposes	**706**	483
Other income (loss)	**2 240**	2 969
Securities lending revenue (see note 6 in the generic notes)	**281**	306
Net realized gain (loss) on investments	**42 342**	56 040
Net gain (loss) on foreign currencies and other net assets	**173**	(252)
Change in unrealized gain (loss) on investments	**378 590**	(334 890)
TOTAL INCOME (LOSS)	**506 743**	(185 136)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**15 910**	18 406
Administration fees	**1 191**	1 264
Independent Review Committee costs	**2**	3
GST/HST	**1 544**	1 782
Transaction costs	**624**	375
Withholding tax	**43**	26
TOTAL EXPENSES	**19 314**	21 856
INCREASE (DECREASE) IN NAV	**$ 487 429**	$ (206 992)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 12 452**	$ (6 309)
ADVISOR SERIES	**$ 1 512**	$ (680)
SERIES D	**$ 315 669**	$ (142 542)
SERIES F	**$ 7 858**	$ (2 747)
SERIES O	**$ 149 938**	$ (54 714)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 18.17**	$ (8.82)
ADVISOR SERIES	**$ 17.91**	$ (8.82)
SERIES D	**$ 18.84**	$ (7.93)
SERIES F	**$ 19.43**	$ (7.78)
SERIES O	**$ 19.59**	$ (6.77)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 487 429**	$ (206 992)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(41 650)**	(56 040)
Change in unrealized loss (gain) on investments	**(378 590)**	334 890
(Increase) decrease in accrued receivables	**696**	(350)
Increase (decrease) in accrued payables	**(57)**	(397)
Cost of investments purchased	**(1 624 946)**	(1 029 537)
Proceeds on sales of investments	**1 722 685**	1 170 683
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**165 567**	212 257
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**150 957**	146 995
Cash paid on redemption of redeemable units	**(298 890)**	(342 213)
Distributions paid to holders of redeemable units	**(16 667)**	(16 112)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (164 600)**	$ (211 330)
Net increase (decrease) in cash for the period	**967**	927
Cash (bank overdraft), beginning of period	**932**	5
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 1 899**	$ 932
Interest received (paid)	**$ 702**	$ 487
Dividends received, net of withholding taxes	**$ 85 308**	$ 92 787

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 59 220**	$ 72 740	**$ 6 470**	$ 7 596	**$ 1 498 563**	$ 1 801 970	**$ 32 131**	$ 29 891
INCREASE (DECREASE) IN NAV	**12 452**	(6 309)	**1 512**	(680)	**315 669**	(142 542)	**7 858**	(2 747)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**19 957**	14 192	**5 033**	1 488	**48 836**	50 552	**13 331**	9 980
Reinvestments of distributions to holders of redeemable units	**903**	942	**118**	103	**34 806**	37 124	**898**	730
Redemption of redeemable units	**(17 124)**	(21 317)	**(2 075)**	(1 931)	**(177 807)**	(208 358)	**(6 980)**	(4 892)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**3 736**	(6 183)	**3 076**	(340)	**(94 165)**	(120 682)	**7 249**	5 818
Distributions from net income	**(991)**	(1 028)	**(124)**	(106)	**(38 110)**	(40 183)	**(1 039)**	(831)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(991)**	(1 028)	**(124)**	(106)	**(38 110)**	(40 183)	**(1 039)**	(831)
NET INCREASE (DECREASE) IN NAV	**15 197**	(13 520)	**4 464**	(1 126)	**183 394**	(303 407)	**14 068**	2 240
NAV AT END OF PERIOD	**$ 74 417**	$ 59 220	**$ 10 934**	$ 6 470	**$ 1 681 957**	$ 1 498 563	**$ 46 199**	$ 32 131

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 667 635**	$ 771 709	**$ 2 264 019**	$ 2 683 906
INCREASE (DECREASE) IN NAV	**149 938**	(54 714)	**487 429**	(206 992)
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**63 970**	69 989	**151 127**	146 201
Reinvestments of distributions to holders of redeemable units	**11 665**	13 085	**48 390**	51 984
Redemption of redeemable units	**(95 255)**	(106 486)	**(299 241)**	(342 984)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(19 620)**	(23 412)	**(99 724)**	(144 799)
Distributions from net income	**(24 793)**	(25 948)	**(65 057)**	(68 096)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(24 793)**	(25 948)	**(65 057)**	(68 096)
NET INCREASE (DECREASE) IN NAV	**105 525**	(104 074)	**322 648**	(419 887)
NAV AT END OF PERIOD	**$ 773 160**	$ 667 635	**$ 2 586 667**	$ 2 264 019

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**43.2**	50.2
Energy	**19.1**	17.5
Industrials	**7.7**	5.9
Utilities	**5.6**	7.2
Telecommunication Services	**5.1**	5.8
Materials	**4.3**	3.8
Consumer Discretionary	**4.1**	4.8
Consumer Staples	**3.7**	2.2
Real Estate	**3.5**	–
Information Technology	**0.6**	–
Health Care	**0.3**	0.4
Cash/Other	**2.8**	2.2
Total	**100.0**	100.0

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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.9**	+ or -	0.9

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**2 508 275**	**4 895**	**–**	**2 513 170**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**8 081**	**–**	**8 081**
Short-term investments	**–**	**60 321**	**–**	**60 321**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**2 508 275**	**73 297**	**–**	**2 581 572**
% of total portfolio	**97.2**	**2.8**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	2 215 115	–	–	2 215 115
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	8 016	–	8 016
Short-term investments	–	34 066	–	34 066
Derivatives – assets	–	5	–	5
Derivatives – liabilities	–	(23)	–	(23)
Total financial instruments	2 215 115	42 064	–	2 257 179
% of total portfolio	98.1	1.9	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.06%
Series F	0.60%	0.10%
Series O	n/a†	0.02%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

December 31, 2016

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 2016	December 31 2015
Units held		
Series A	**8**	7
Advisor Series	**15**	15
Series D	**2**	2
Series F	**8**	8
Series O	**9**	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, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**680**	747
Issued number of units	**212**	151
Reinvested number of units	**9**	10
Redeemed number of units	**(185)**	(228)
Ending number of units	**716**	680
Advisor Series		
Opening units	**74**	78
Issued number of units	**52**	16
Reinvested number of units	**1**	1
Redeemed number of units	**(22)**	(21)
Ending number of units	**105**	74
Series D		
Opening units	**17 377**	18 665
Issued number of units	**524**	537
Reinvested number of units	**363**	411
Redeemed number of units	**(1 920)**	(2 236)
Ending number of units	**16 344**	17 377
Series F		
Opening units	**370**	307
Issued number of units	**140**	107
Reinvested number of units	**9**	8
Redeemed number of units	**(74)**	(52)
Ending number of units	**445**	370
Series O		
Opening units	**7 862**	8 117
Issued number of units	**695**	762
Reinvested number of units	**124**	147
Redeemed number of units	**(1 049)**	(1 164)
Ending number of units	**7 632**	7 862

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**624**	**100**	375	100
Related-party brokerage commissions*	**44**	**7**	34	9
Commission arrangements†	**18**	**3**	11	3

* See note 7 in the generic notes.
† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

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

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**474 625**	448 799
Fair value of collateral received	**484 117**	471 239

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Gross revenue	**521**	**100**	560	100
RBC IS (paid)	**(182)**	**(35)**	(196)	(35)
Tax withheld	**(58)**	**(11)**	(58)	(10)
Fund revenue	**281**	**54**	306	55

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
129 838	Dollarama Inc.	$ 6 756	$ 12 773	
380 010	Gildan Activewear Inc., Class A	12 294	12 955	
125 920	Quebecor Inc., Class B	4 834	4 699	
123 252	Restaurant Brands International Inc.	5 217	7 882	
132 287	Shaw Communications Inc., Class B	2 749	3 564	
		31 850	41 873	**3.6**
Consumer Staples				
482 507	Alimentation Couche-Tard Inc.	12 796	29 375	
82 746	Empire Co. Ltd., Class A	2 007	1 301	
		14 803	30 676	**2.6**
Energy				
403 919	ARC Resources Ltd.	8 576	9 335	
234 449	Cameco Corp.	7 009	3 291	
644 743	Canadian Natural Resources Ltd.	21 358	27 588	
817 319	Cenovus Energy Inc.	17 008	16 591	
1 346 200	Crescent Point Energy Corp.	23 282	24 568	
960 696	Enbridge Inc.	44 240	54 279	
142 900	Keyera Corp.	5 355	5 782	
379 100	MEG Energy Corp.	3 516	3 499	
453 300	Pembina Pipeline Corp.	14 552	19 020	
378 906	PrairieSky Royalty Ltd.	9 799	12 102	
422 200	Seven Generations Energy Ltd.	9 754	13 219	
517 752	Suncor Energy Inc.	17 265	22 729	
377 816	Tourmaline Oil Corp.	11 790	13 567	
278 091	Tourmaline Oil Corp.*, Subscription Receipts Restricted March 10, 2017	9 664	9 758	
259 799	TransCanada Corp.	13 548	15 728	
		216 716	251 056	**21.7**
Financials				
107 763	Bank of Montreal	7 348	10 407	
784 480	Bank of Nova Scotia	42 506	58 648	
942 390	Brookfield Asset Management Inc., Class A	25 581	41 748	
154 391	Canadian Imperial Bank of Commerce	14 907	16 915	
309 830	CI Financial Corp.	9 681	8 945	
666 300	Element Fleet Management Corp.	8 455	8 302	
1 744 769	Manulife Financial Corporation	32 606	41 717	
242 000	National Bank of Canada	9 890	13 196	
1 060 723	Royal Bank of Canada†	52 977	96 388	
442 694	Sun Life Financial Inc.	18 432	22 821	
192 980	Thomson Corp.	7 010	11 340	
1 338 755	Toronto-Dominion Bank	33 824	88 652	
		263 217	419 079	**36.2**
Industrials				
375 180	Canadian National Railway Co.	$ 8 981	$ 33 901	
68 300	Canadian Pacific Railway Ltd.	13 445	13 084	
176 377	Finning International Inc.	4 081	4 637	
200 600	Waste Connections Inc.	19 514	21 131	
		46 021	72 753	**6.3**
Information Technology				
275 149	CGI Group Inc., Class A	9 548	17 731	
9 800	Constellation Software Inc.	5 321	5 979	
167 467	Open Text Corp.	11 878	13 886	
		26 747	37 596	**3.2**
Materials				
186 905	Agnico Eagle Mines Ltd.	7 272	10 551	
92 217	Agrium Inc.	6 271	12 446	
853 115	B2Gold Corp.	3 378	2 721	
365 500	Barrick Gold Corp.	7 599	7 855	
585 100	Belo Sun Mining Corp.	497	398	
196 600	Continental Gold Inc.	1 467	865	
143 250	Detour Gold Corp.	2 477	2 620	
127 300	Eldorado Gold Corp.	1 120	550	
84 912	Endeavour Mining Corp.	1 599	1 703	
669 307	First Quantum Minerals Ltd.	9 701	8 935	
42 000	Franco-Nevada Corp.	1 993	3 372	
212 092	Goldcorp Inc.	6 716	3 877	
278 927	Mountain Province Diamonds Inc.	1 413	1 874	
221 880	OceanaGold Corp.	937	868	
371 830	Potash Corporation of Saskatchewan Inc.	7 902	9 032	
99 894	Richmont Mines Inc.	1 195	871	
570 600	Semafo Inc.	2 205	2 522	
145 250	Silver Wheaton Corp.	4 612	3 768	
252 637	Tahoe Resources Inc.	3 972	3 196	
131 128	Torex Gold Resources Inc.	2 766	2 726	
517 054	Turquoise Hill Resources Ltd.	3 482	2 229	
		78 574	82 979	**7.2**
Real Estate				
503 522	Brookfield Property Partners LP	14 161	14 768	
		14 161	14 768	**1.3**
Telecommunication Services				
234 247	Rogers Communications Inc., Class B	6 949	12 132	
337 626	TELUS Corp.	8 599	14 434	
		15 548	26 566	**2.3**
Utilities				
271 250	Brookfield Infrastructure Partners LP	10 599	12 185	
124 300	Emera Inc.	5 625	5 642	
291 600	Fortis Inc.	11 835	12 090	
		28 059	29 917	**2.6**
TOTAL CANADIAN EQUITIES		735 696	1 007 263	**87.0**

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY FUND

December 31, 2016

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
4 628 396	Phillips, Hager & North Small Float Fund†	$ 74 530	$ 142 403	
TOTAL MUTUAL FUND UNITS		74 530	142 403	**12.3**
SHORT-TERM INVESTMENTS‡		3 516	3 516	**0.3**
TOTAL INVESTMENTS		$ 813 742	1 153 182	**99.6**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			4 192	**0.4**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$1 157 374	**100.0**

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.45% to 0.92% and mature between January 3, 2017 and January 13, 2017.

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 1 153 182**	$ 1 039 593
Cash	**1 022**	449
Due from investment dealers	**1 953**	–
Subscriptions receivable	**569**	677
Dividends receivable, interest accrued and other assets	**1 912**	2 071
TOTAL ASSETS	**1 158 638**	1 042 790
LIABILITIES		
Due to investment dealers	**304**	–
Redemptions payable	**480**	571
Accounts payable and accrued expenses	**480**	490
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**1 264**	1 061
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 1 157 374**	$ 1 041 729
Investments at cost	**$ 813 742**	$ 872 326
NAV		
SERIES A	**$ 22 124**	$ 18 743
ADVISOR SERIES	**$ 1 412**	$ 1 087
SERIES D	**$ 509 894**	$ 448 506
SERIES F	**$ 10 109**	$ 7 583
SERIES O	**$ 613 835**	$ 565 810
NAV PER UNIT		
SERIES A	**$ 101.67**	$ 84.33
ADVISOR SERIES	**$ 101.71**	$ 84.36
SERIES D	**$ 98.61**	$ 81.84
SERIES F	**$ 100.68**	$ 83.52
SERIES O	**$ 98.04**	$ 81.34

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 28 155**	$ 30 179
Interest for distribution purposes	**93**	69
Other income received from underlying funds	**1 742**	2 353
Net realized gain (loss) on investments	**32 071**	17 958
Net gain (loss) on foreign currencies and other net assets	**40**	(25)
Change in unrealized gain (loss) on investments	**172 173**	(125 607)
TOTAL INCOME (LOSS)	**234 274**	(75 073)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**4 773**	5 437
Administration fees	**434**	456
Independent Review Committee costs	**2**	3
GST/HST	**429**	485
Transaction costs	**788**	685
TOTAL EXPENSES	**6 426**	7 066
INCREASE (DECREASE) IN NAV	**$ 227 848**	$ (82 139)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 3 824**	$ (1 282)
ADVISOR SERIES	**$ 239**	$ (104)
SERIES D	**$ 96 589**	$ (38 609)
SERIES F	**$ 1 857**	$ (580)
SERIES O	**$ 125 339**	$ (41 564)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 17.62**	$ (8.00)
ADVISOR SERIES	**$ 17.92**	$ (7.99)
SERIES D	**$ 18.26**	$ (6.99)
SERIES F	**$ 19.08**	$ (6.94)
SERIES O	**$ 19.09**	$ (5.96)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 227 848**	$ (82 139)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(31 179)**	(17 958)
Change in unrealized loss (gain) on investments	**(172 173)**	125 607
(Increase) decrease in accrued receivables	**159**	(440)
Increase (decrease) in accrued payables	**(10)**	(103)
Cost of investments purchased	**(1 558 087)**	(1 259 179)
Proceeds on sales of investments	**1 646 201**	1 311 019
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**112 759**	76 807
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**95 486**	106 882
Cash paid on redemption of redeemable units	**(202 210)**	(176 810)
Distributions paid to holders of redeemable units	**(5 462)**	(7 038)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (112 186)**	$ (76 966)
Net increase (decrease) in cash for the period	**573**	(159)
Cash (bank overdraft), beginning of period	**449**	608
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 1 022**	$ 449
Interest received (paid)	**$ 93**	$ 68
Dividends received, net of withholding taxes	**$ 28 313**	$ 29 740

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 18 743**	$ 14 195	**$ 1 087**	$ 1 445	**$ 448 506**	$ 532 249	**$ 7 583**	$ 7 413
INCREASE (DECREASE) IN NAV	**3 824**	(1 282)	**239**	(104)	**96 589**	(38 609)	**1 857**	(580)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**5 951**	10 484	**357**	170	**23 070**	22 069	**2 956**	2 148
Reinvestments of distributions to holders of redeemable units	**99**	241	**9**	21	**7 650**	12 852	**166**	219
Redemption of redeemable units	**(6 348)**	(4 649)	**(271)**	(423)	**(57 946)**	(66 692)	**(2 273)**	(1 380)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(298)**	6 076	**95**	(232)	**(27 226)**	(31 771)	**849**	987
Distributions from net income	**(145)**	(105)	**(9)**	(9)	**(7 975)**	(7 996)	**(180)**	(149)
Distributions from net gains	**–**	(141)	**–**	(13)	**–**	(5 367)	**–**	(88)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(145)**	(246)	**(9)**	(22)	**(7 975)**	(13 363)	**(180)**	(237)
NET INCREASE (DECREASE) IN NAV	**3 381**	4 548	**325**	(358)	**61 388**	(83 743)	**2 526**	170
NAV AT END OF PERIOD	**$ 22 124**	$ 18 743	**$ 1 412**	$ 1 087	**$ 509 894**	$ 448 506	**$ 10 109**	$ 7 583

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 565 810**	$ 635 688	**$ 1 041 729**	$ 1 190 990
INCREASE (DECREASE) IN NAV	**125 339**	(41 564)	**227 848**	(82 139)
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**63 044**	72 311	**95 378**	107 182
Reinvestments of distributions to holders of redeemable units	**10 639**	16 873	**18 563**	30 206
Redemption of redeemable units	**(135 281)**	(94 122)	**(202 119)**	(167 266)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(61 598)**	(4 938)	**(88 178)**	(29 878)
Distributions from net income	**(15 716)**	(16 534)	**(24 025)**	(24 793)
Distributions from net gains	**–**	(6 842)	**–**	(12 451)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(15 716)**	(23 376)	**(24 025)**	(37 244)
NET INCREASE (DECREASE) IN NAV	**48 025**	(69 878)	**115 645**	(149 261)
NAV AT END OF PERIOD	**$ 613 835**	$ 565 810	**$ 1 157 374**	$ 1 041 729

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 0.8% (December 31, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**38.1**	38.9
Energy	**23.2**	20.8
Industrials	**9.6**	8.2
Materials	**8.2**	8.1
Consumer Discretionary	**6.9**	8.6
Information Technology	**3.9**	3.4
Consumer Staples	**2.9**	4.1
Utilities	**2.6**	0.8
Telecommunication Services	**2.3**	3.0
Real Estate	**1.6**	–
Health Care	**–**	2.4
Cash/Other	**0.7**	1.7
Total	**100.0**	100.0

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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**1.0**	+ or -	1.0

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**997 505**	**9 758**	**–**	**1 007 263**
Mutual fund units	**142 403**	**–**	**–**	**142 403**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**3 516**	**–**	**3 516**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**1 139 908**	**13 274**	**–**	**1 153 182**
% of total portfolio	**98.8**	**1.2**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	885 237	–	–	885 237
Mutual fund units	138 552	–	–	138 552
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	15 804	–	15 804
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 023 789	15 804	–	1 039 593
% of total portfolio	98.5	1.5	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.06%
Series F	0.60%	0.10%
Series O	n/a†	0.02%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

December 31, 2016

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 2016	December 31 2015
Units held		
Series A	**7**	7
Advisor Series	**14**	14
Series D	**8**	8
Series F	**8**	8
Value of all units	**4**	3

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual fund as a percentage of NAV, and the Fund's ownership interest as a percentage of the net assets of the underlying fund ("Ownership"). The underlying fund is established and conducts business in Canada, and has an associate relationship to the Fund.

	December 31 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Small Float Fund	**12.3**	**48.8**	13.3	54.5

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	151
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**222**	151
Issued number of units	**66**	118
Reinvested number of units	**1**	3
Redeemed number of units	**(71)**	(50)
Ending number of units	**218**	222
Advisor Series		
Opening units	**13**	15
Issued number of units	**4**	3
Reinvested number of units	**–**	–
Redeemed number of units	**(3)**	(5)
Ending number of units	**14**	13
Series D		
Opening units	**5 480**	5 816
Issued number of units	**267**	243
Reinvested number of units	**77**	157
Redeemed number of units	**(653)**	(736)
Ending number of units	**5 171**	5 480
Series F		
Opening units	**91**	79
Issued number of units	**31**	24
Reinvested number of units	**2**	3
Redeemed number of units	**(24)**	(15)
Ending number of units	**100**	91
Series O		
Opening units	**6 956**	6 981
Issued number of units	**732**	806
Reinvested number of units	**108**	208
Redeemed number of units	**(1 535)**	(1 039)
Ending number of units	**6 261**	6 956

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**788**	**100**	685	100
Related-party brokerage commissions*	**78**	**10**	41	6
Commission arrangements†	**39**	**5**	7	1

* 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.

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
8 607	Aritzia Inc.	$ 138	$ 151	
8 725	BRP Inc.	169	247	
4 700	Cineplex Inc.	183	241	
11 200	Dollarama Inc.	461	1 102	
31 109	Gildan Activewear Inc., Class A	1 073	1 061	
13 200	goeasy Ltd.	269	322	
16 100	Leon's Furniture Ltd.	223	291	
30 090	Quebecor Inc., Class B	924	1 123	
9 355	Restaurant Brands International Inc.	403	598	
10 700	Shaw Communications Inc., Class B	250	288	
25 600	Sleep Country Canada Holdings Inc.	477	737	
		4 570	6 161	**6.8**
Consumer Staples				
6 326	Empire Co. Ltd., Class A	164	99	
10 200	Maple Leaf Foods Inc.	189	287	
		353	386	**0.4**
Energy				
34 600	ARC Resources Ltd.	735	799	
19 300	Cameco Corp.	457	270	
51 300	Canadian Natural Resources Ltd.	1 699	2 194	
62 641	Cenovus Energy Inc.	1 324	1 271	
109 300	Crescent Point Energy Corp.	1 900	1 994	
75 800	Enbridge Inc.	4 202	4 283	
11 000	Keyera Corp.	414	445	
30 400	MEG Energy Corp.	274	281	
3 433	Parkland Fuel Corp.*, Subscription Receipts	84	84	
35 100	Pembina Pipeline Corp.	1 123	1 473	
30 984	PrairieSky Royalty Ltd.	785	990	
31 200	Raging River Exploration Inc.	254	329	
49 300	Secure Energy Services Inc.	446	577	
36 100	Seven Generations Energy Ltd.	759	1 130	
40 221	Suncor Energy Inc.	1 402	1 766	
28 900	Tourmaline Oil Corp.	898	1 038	
21 259	Tourmaline Oil Corp.*, Subscription Receipts Restricted March 10, 2017	739	746	
20 470	TransCanada Corp.	1 073	1 239	
126 300	Trinidad Drilling Ltd.	626	422	
		19 194	21 331	**23.4**
Financials				
8 500	Bank of Montreal	586	821	
60 479	Bank of Nova Scotia	3 394	4 521	
75 400	Brookfield Asset Management Inc., Class A	2 363	3 340	
60 900	Canaccord Genuity Group Inc.	324	290	
11 800	Canadian Imperial Bank of Commerce	1 141	1 293	
31 500	CI Financial Corp.	900	909	
52 000	ECN Capital Corp.	146	172	
111 200	Element Fleet Management Corp.	1 206	1 386	
Financials (cont.)				
16 600	Home Capital Group Inc.	$ 503	$ 520	
142 894	Manulife Financial Corporation	2 817	3 417	
19 600	National Bank of Canada	804	1 069	
82 005	Royal Bank of Canada†	4 802	7 452	
36 300	Sun Life Financial Inc.	1 513	1 871	
67 400	The Westaim Corp.	209	189	
16 636	Thomson Corp.	693	978	
103 720	Toronto-Dominion Bank	3 858	6 868	
		25 259	35 096	**38.5**
Industrials				
37 100	Badger Daylighting Ltd.	770	1 191	
6 700	Boyd Group Income Fund	246	573	
28 738	Canadian National Railway Co.	1 166	2 597	
5 800	Canadian Pacific Railway Ltd.	1 107	1 111	
13 600	Finning International Inc.	301	358	
17 000	Richelieu Hardware Ltd.	211	435	
10 185	Ritchie Bros. Auctioneers Inc.	342	464	
21 100	Stantec Inc.	638	716	
6 700	Toromont Industries Ltd.	151	284	
16 900	Waste Connections Inc.	1 650	1 780	
		6 582	9 509	**10.5**
Information Technology				
23 600	CGI Group Inc., Class A	966	1 521	
14 400	DH Corp.	465	321	
5 800	Kinaxis Inc.	109	363	
15 094	Open Text Corp.	996	1 252	
		2 536	3 457	**3.8**
Materials				
19 200	Agnico Eagle Mines Ltd.	820	1 084	
7 340	Agrium Inc.	685	991	
80 300	B2Gold Corp.	265	256	
48 000	Belo Sun Mining Corp.	41	33	
2 900	CCL Industries, Class B	343	765	
23 400	Continental Gold Inc.	53	103	
15 200	Detour Gold Corp.	231	278	
10 400	Eldorado Gold Corp.	97	45	
6 900	Endeavour Mining Corp.	138	138	
5 100	Franco-Nevada Corp.	284	409	
24 300	Goldcorp Inc.	412	444	
23 360	Mountain Province Diamonds Inc.	108	157	
16 400	OceanaGold Corp.	73	64	
98 800	Polaris Materials Corp.	170	120	
28 600	Potash Corporation of Saskatchewan Inc.	1 296	695	
8 500	Richmont Mines Inc.	110	74	
50 400	Semafo Inc.	210	223	
14 100	Silver Wheaton Corp.	434	366	
8 200	Stella-Jones Inc.	262	357	
10 980	Torex Gold Resources Inc.	208	228	
64 400	Turquoise Hill Resources Ltd.	254	278	
		6 494	7 108	**7.8**

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate				
1 600	Boardwalk Real Estate Investment Trust	$ 69	$ 78	
48 034	Brookfield Property Partners LP	1 369	1 409	
4 400	FirstService Corp.	152	280	
		1 590	1 767	**1.9**
Telecommunication Services				
19 044	Rogers Communications Inc., Class B	712	986	
26 136	TELUS Corp.	724	1 117	
		1 436	2 103	**2.3**
Utilities				
21 550	Brookfield Infrastructure Partners LP	840	968	
9 600	Emera Inc.	434	436	
28 900	Fortis Inc.	1 176	1 198	
		2 450	2 602	**2.9**
TOTAL CANADIAN EQUITIES		70 464	89 520	**98.3**
SHORT-TERM INVESTMENTS‡		1 200	1 200	**1.3**
TOTAL INVESTMENTS		$ 71 664	90 720	**99.6**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			357	**0.4**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 91 077	**100.0**

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.80% and mature between January 3, 2017 and January 5, 2017.

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH
Investment Management®

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 90 720**	$ 73 096
Cash	**122**	100
Due from investment dealers	**178**	–
Subscriptions receivable	**63**	45
Dividends receivable, interest accrued and other assets	**163**	176
TOTAL ASSETS	**91 246**	73 417
LIABILITIES		
Due to investment dealers	**22**	–
Redemptions payable	**114**	3
Accounts payable and accrued expenses	**33**	29
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**169**	32
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 91 077**	$ 73 385
Investments at cost	**$ 71 664**	$ 67 514
NAV		
SERIES A	**$ 1 548**	$ 1 295
ADVISOR SERIES	**$ 1 839**	$ 1 104
SERIES D	**$ 22 573**	$ 18 769
SERIES F	**$ 1 601**	$ 898
SERIES O	**$ 63 516**	$ 51 319
NAV PER UNIT		
SERIES A	**$ 26.44**	$ 21.68
ADVISOR SERIES	**$ 26.46**	$ 21.69
SERIES D	**$ 26.26**	$ 21.54
SERIES F	**$ 26.62**	$ 21.83
SERIES O	**$ 26.41**	$ 21.65

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 2 255**	$ 2 132
Interest for distribution purposes	**12**	9
Other income (loss)	**8**	9
Net realized gain (loss) on investments	**2 947**	1 463
Net gain (loss) on foreign currencies and other net assets	**4**	(2)
Change in unrealized gain (loss) on investments	**13 474**	(8 341)
TOTAL INCOME (LOSS)	**18 700**	(4 730)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**242**	249
Administration fees	**85**	74
Independent Review Committee costs	**2**	3
GST/HST	**29**	29
Transaction costs	**75**	68
TOTAL EXPENSES	**433**	423
INCREASE (DECREASE) IN NAV	**$ 18 267**	$ (5 153)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 267**	$ (116)
ADVISOR SERIES	**$ 305**	$ (88)
SERIES D	**$ 4 351**	$ (1 577)
SERIES F	**$ 266**	$ (65)
SERIES O	**$ 13 078**	$ (3 307)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 4.80**	$ (2.03)
ADVISOR SERIES	**$ 5.14**	$ (2.03)
SERIES D	**$ 5.07**	$ (1.83)
SERIES F	**$ 5.36**	$ (1.78)
SERIES O	**$ 5.47**	$ (1.57)

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 18 267**	$ (5 153)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(2 867)**	(1 463)
Change in unrealized loss (gain) on investments	**(13 474)**	8 341
(Increase) decrease in accrued receivables	**13**	(23)
Increase (decrease) in accrued payables	**4**	(3)
Cost of investments purchased	**(191 490)**	(170 585)
Proceeds on sales of investments	**190 051**	163 415
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**504**	(5 471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**14 473**	17 263
Cash paid on redemption of redeemable units	**(14 621)**	(11 220)
Distributions paid to holders of redeemable units	**(334)**	(543)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (482)**	$ 5 500
Net increase (decrease) in cash for the period	**22**	29
Cash (bank overdraft), beginning of period	**100**	71
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 122**	$ 100
Interest received (paid)	**$ 12**	$ 9
Dividends received, net of withholding taxes	**$ 2 276**	$ 2 118

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

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 1 295**	$ 1 218	**$ 1 104**	$ 706	**$ 18 769**	$ 20 215	**$ 898**	$ 738
INCREASE (DECREASE) IN NAV	**267**	(116)	**305**	(88)	**4 351**	(1 577)	**266**	(65)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**259**	396	**811**	598	**3 291**	2 535	**514**	346
Reinvestments of distributions to holders of redeemable units	**9**	42	**10**	33	**308**	720	**20**	29
Redemption of redeemable units	**(273)**	(203)	**(381)**	(109)	**(3 823)**	(2 356)	**(71)**	(110)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(5)**	235	**440**	522	**(224)**	899	**463**	265
Distributions from net income	**(9)**	(8)	**(10)**	(7)	**(323)**	(277)	**(26)**	(16)
Distributions from net gains	**–**	(34)	**–**	(29)	**–**	(491)	**–**	(24)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(9)**	(42)	**(10)**	(36)	**(323)**	(768)	**(26)**	(40)
NET INCREASE (DECREASE) IN NAV	**253**	77	**735**	398	**3 804**	(1 446)	**703**	160
NAV AT END OF PERIOD	**$ 1 548**	$ 1 295	**$ 1 839**	$ 1 104	**$ 22 573**	$ 18 769	**$ 1 601**	$ 898

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 51 319**	$ 50 035	**$ 73 385**	$ 72 912
INCREASE (DECREASE) IN NAV	**13 078**	(3 307)	**18 267**	(5 153)
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**9 616**	13 367	**14 491**	17 242
Reinvestments of distributions to holders of redeemable units	**1 182**	2 204	**1 529**	3 028
Redemption of redeemable units	**(10 184)**	(8 295)	**(14 732)**	(11 073)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**614**	7 276	**1 288**	9 197
Distributions from net income	**(1 495)**	(1 331)	**(1 863)**	(1 639)
Distributions from net gains	**–**	(1 354)	**–**	(1 932)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(1 495)**	(2 685)	**(1 863)**	(3 571)
NET INCREASE (DECREASE) IN NAV	**12 197**	1 284	**17 692**	473
NAV AT END OF PERIOD	**$ 63 516**	$ 51 319	**$ 91 077**	$ 73 385

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 0.9% (December 31, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**38.5**	41.2
Energy	**23.4**	19.5
Industrials	**10.5**	9.1
Materials	**7.8**	8.5
Consumer Discretionary	**6.8**	10.0
Information Technology	**3.8**	3.9
Utilities	**2.9**	1.0
Telecommunication Services	**2.3**	3.4
Real Estate	**1.9**	–
Consumer Staples	**0.4**	2.5
Cash/Other	**1.7**	0.9
Total	**100.0**	100.0

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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**88 690**	**830**	**–**	**89 520**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**1 200**	**–**	**1 200**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**88 690**	**2 030**	**–**	**90 720**
% of total portfolio	**97.8**	**2.2**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	72 746	–	–	72 746
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	350	–	350
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	72 746	350	–	73 096
% of total portfolio	99.5	0.5	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.10%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

December 31, 2016

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 2016	December 31 2015
Units held		
Series A	**30**	29
Advisor Series	**58**	57
Series D	**62**	61
Series F	**31**	31
Series O	**33**	33
Value of all units	**6**	5

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	11
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
Series A		
Opening units	**60**	50
Issued number of units	**11**	17
Reinvested number of units	**–**	2
Redeemed number of units	**(12)**	(9)
Ending number of units	**59**	60
Advisor Series		
Opening units	**51**	29
Issued number of units	**35**	24
Reinvested number of units	**–**	2
Redeemed number of units	**(16)**	(4)
Ending number of units	**70**	51
Series D		
Opening units	**871**	833
Issued number of units	**140**	101
Reinvested number of units	**12**	34
Redeemed number of units	**(163)**	(97)
Ending number of units	**860**	871
Series F		
Opening units	**41**	30
Issued number of units	**21**	14
Reinvested number of units	**1**	1
Redeemed number of units	**(3)**	(4)
Ending number of units	**60**	41
Series O		
Opening units	**2 371**	2 049
Issued number of units	**425**	555
Reinvested number of units	**45**	102
Redeemed number of units	**(436)**	(335)
Ending number of units	**2 405**	2 371

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	%	$	%
Total transaction costs	**75**	**100**	68	100
Related-party brokerage commissions*	**7**	**9**	3	4
Commission arrangements†	**6**	**8**	6	9

* See note 7 in the generic notes.
† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Investments by other related investment funds (%) (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 2016	December 31 2015
Phillips, Hager & North Community Values Balanced Fund	**25.9**	24.7

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
383 501	Aimia Inc.	$ 3 258	$ 3 405	
231 274	Cara Operations Ltd.	5 833	5 770	
160 540	Magna International Inc., Class A	8 136	9 359	
260 849	Quebecor Inc., Class B	7 219	9 735	
139 297	Restaurant Brands International Inc.	6 431	8 908	
452 420	Shaw Communications Inc., Class B	10 695	12 188	
		41 572	49 365	**4.2**
Consumer Staples				
253 549	Alimentation Couche-Tard Inc.	10 201	15 436	
320 835	Loblaw Companies Ltd.	18 617	22 728	
283 794	Maple Leaf Foods Inc.	5 834	7 980	
70 939	Metro Inc., Class A	2 909	2 849	
		37 561	48 993	**4.1**
Energy				
461 529	ARC Resources Ltd.	12 101	10 666	
108 375	Cameco Corp.	2 136	1 522	
850 011	Canadian Natural Resources Ltd.	28 999	36 372	
791 140	Cenovus Energy Inc.	18 682	16 060	
549 116	Crescent Point Energy Corp.	11 545	10 020	
926 365	Crew Energy Inc.	6 550	6 956	
622 811	Enbridge Inc.	29 356	35 189	
170 334	Gibson Energy Inc.	3 708	3 233	
548 810	Husky Energy Inc.	12 119	8 940	
252 962	Imperial Oil Ltd.	12 123	11 816	
112 974	Keyera Corp.	4 525	4 571	
288 087	Pembina Pipeline Corp.	11 131	12 088	
334 276	PrairieSky Royalty Ltd.	9 721	10 677	
108 386	ShawCor Ltd.	4 272	3 885	
1 109 359	Suncor Energy Inc.	37 170	48 701	
524 527	TransCanada Corp.	25 258	31 755	
209 095	Veresen Inc.	2 628	2 741	
		232 024	255 192	**21.6**
Financials				
892 990	Acasta Enterprises Inc.*, Subscription Receipts	8 930	8 930	
447 528	Bank of Montreal	32 941	43 218	
774 875	Bank of Nova Scotia	45 398	57 930	
803 351	Brookfield Asset Management Inc., Class A	26 788	35 588	
682 923	Canaccord Genuity Group Inc.	3 870	3 258	
155 123	Canadian Imperial Bank of Commerce	14 288	16 995	
221 598	Element Fleet Management Corp.	2 705	2 761	
9 731	Fairfax Financial Holdings Ltd.	5 627	6 311	
78 281	Intact Financial Corp.	5 936	7 523	
1 309 384	Manulife Financial Corporation	25 481	31 307	
192 483	National Bank of Canada	9 121	10 496	
123 928	Onex Corporation	6 722	11 325	
Financials (cont.)				
539 335	Power Corporation of Canada	$ 16 019	$ 16 207	
949 051	Royal Bank of Canada†	65 849	86 240	
319 229	Sun Life Financial Inc.	12 792	16 456	
1 906 193	The Westaim Corp.	5 523	5 337	
324 905	Thomson Corp.	10 977	19 091	
1 144 518	Toronto-Dominion Bank	51 184	75 790	
		350 151	454 763	**38.4**
Health Care				
420 421	Chartwell Retirement Residences Real Estate Investment Trust	4 956	6 159	
		4 956	6 159	**0.5**
Industrials				
174 601	Brookfield Business Partners LP	4 492	5 633	
466 536	Canadian National Railway Co.	25 519	42 156	
87 740	Canadian Pacific Railway Ltd.	15 619	16 807	
224 333	SNC-Lavalin Group Inc.	10 715	12 964	
157 518	Waste Connections Inc.	13 130	16 593	
		69 475	94 153	**8.0**
Information Technology				
279 693	BlackBerry Ltd.	3 122	2 584	
212 527	CGI Group Inc., Class A	11 174	13 695	
142 069	DH Corp.	3 192	3 165	
108 188	Open Text Corp.	7 739	8 971	
		25 227	28 415	**2.4**
Materials				
151 918	Agnico Eagle Mines Ltd.	6 850	8 576	
83 834	Agrium Inc.	9 796	11 314	
849 505	Barrick Gold Corp.	21 965	18 256	
110 112	Detour Gold Corp.	1 606	2 014	
233 096	Dominion Diamond Corp.	3 200	3 033	
201 968	First Quantum Minerals Ltd.	1 940	2 696	
311 260	Goldcorp Inc.	6 521	5 690	
419 946	Interfor Corp.	5 403	6 312	
709 631	iShares S&P/TSX Global Gold Index Fund	8 636	8 608	
147 023	Labrador Iron Ore Royalty Corp.	1 761	2 738	
513 585	Lundin Mining Corp.	2 311	3 287	
56 346	Methanex Corp.	2 998	3 318	
534 238	Potash Corporation of Saskatchewan Inc.	17 531	12 977	
387 784	Teck Resources Ltd., Class B	7 636	10 420	
		98 154	99 239	**8.4**
Real Estate				
84 638	Allied Properties Real Estate Investment Trust	3 005	3 043	
285 199	Brookfield Property Partners LP	5 572	8 365	
255 357	First Capital Realty Inc.	4 715	5 278	
1 067 910	Plaza Retail Real Estate Investment Trust	4 014	5 340	
97 554	RioCan Real Estate Investment Trust	2 544	2 598	
		19 850	24 624	**2.1**

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
387 321	BCE Inc.	$ 20 072	$ 22 476	
102 197	Rogers Communications Inc., Class B	4 419	5 293	
226 402	TELUS Corp.	6 738	9 679	
		31 229	37 448	**3.2**
Utilities				
124 242	Atco Ltd., Class I, Non-Voting	4 973	5 549	
157 787	Canadian Utilities Ltd., Class A	5 783	5 710	
123 024	Emera Inc.	5 704	5 584	
378 719	Fortis Inc.	13 748	15 702	
799 957	TransAlta Corp.	4 976	5 944	
		35 184	38 489	**3.2**
TOTAL CANADIAN EQUITIES		945 383	1 136 840	**96.1**
SHORT-TERM INVESTMENTS‡		54 087	54 087	**4.6**
TOTAL INVESTMENTS		$ 999 470	1 190 927	**100.7**
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(8 151)	**(0.7)**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$1 182 776	**100.0**

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.50% to 0.83% and mature between January 3, 2017 and January 30, 2017.

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 1 190 927**	$ 983 654
Cash	**574**	103
Due from investment dealers	**11 963**	–
Subscriptions receivable	**404**	763
Dividends receivable, interest accrued and other assets	**2 435**	2 627
TOTAL ASSETS	**1 206 303**	987 147
LIABILITIES		
Due to investment dealers	**21 707**	416
Redemptions payable	**1 269**	428
Accounts payable and accrued expenses	**551**	558
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**23 527**	1 402
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 1 182 776**	$ 985 745
Investments at cost	**$ 999 470**	$ 960 885
NAV		
SERIES A	**$ 15 014**	$ 9 252
ADVISOR SERIES	**$ 223 263**	$ 216 457
SERIES H	**$ –**	$ 4 345
SERIES D	**$ 80 409**	$ 64 665
SERIES F	**$ 136 240**	$ 91 336
SERIES I	**$ –**	$ 7 739
SERIES O	**$ 727 850**	$ 591 951
NAV PER UNIT		
SERIES A	**$ 13.96**	$ 11.75
ADVISOR SERIES	**$ 13.95**	$ 11.74
SERIES H	**$ –**	$ 11.78
SERIES D	**$ 14.13**	$ 11.89
SERIES F	**$ 14.15**	$ 11.91
SERIES I	**$ –**	$ 11.87
SERIES O	**$ 14.02**	$ 11.80

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 31 476**	$ 27 840
Interest for distribution purposes	**434**	529
Other income (loss)	**468**	532
Net realized gain (loss) on investments	**24 055**	35 803
Net gain (loss) on foreign currencies and other net assets	**24**	(17)
Change in unrealized gain (loss) on investments	**168 688**	(122 313)
TOTAL INCOME (LOSS)	**225 145**	(57 626)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**5 328**	6 160
Administration fees	**561**	614
Independent Review Committee costs	**2**	3
GST/HST	**570**	654
Transaction costs	**945**	909
TOTAL EXPENSES	**7 406**	8 340
INCREASE (DECREASE) IN NAV	**$ 217 739**	$ (65 966)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 2 113**	$ (806)
ADVISOR SERIES	**$ 39 345**	$ (19 061)
SERIES H	**$ 362**	$ (395)
SERIES D	**$ 13 594**	$ (4 944)
SERIES F	**$ 22 483**	$ (7 002)
SERIES I	**$ 713**	$ (499)
SERIES O	**$ 139 129**	$ (33 259)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 2.34**	$ (1.06)
ADVISOR SERIES	**$ 2.29**	$ (1.06)
SERIES H	**$ 0.98**	$ (1.04)
SERIES D	**$ 2.46**	$ (0.97)
SERIES F	**$ 2.56**	$ (0.94)
SERIES I	**$ 1.05**	$ (0.90)
SERIES O	**$ 2.61**	$ (0.80)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 217 739**	$ (65 966)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(23 178)**	(35 803)
Change in unrealized loss (gain) on investments	**(168 688)**	122 313
(Increase) decrease in accrued receivables	**192**	(819)
Increase (decrease) in accrued payables	**(7)**	(159)
Cost of investments purchased	**(1 468 542)**	(1 602 370)
Proceeds on sales of investments	**1 462 463**	1 427 374
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**19 979**	(155 430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**268 515**	330 497
Cash paid on redemption of redeemable units	**(281 721)**	(161 771)
Distributions paid to holders of redeemable units	**(6 302)**	(13 232)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (19 508)**	$ 155 494
Net increase (decrease) in cash for the period	**471**	64
Cash (bank overdraft), beginning of period	**103**	39
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 574**	$ 103
Interest received (paid)	**$ 436**	$ 524
Dividends received, net of withholding taxes	**$ 32 135**	$ 27 558

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series H		Series D	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 9 252**	$ 11 320	**$ 216 457**	$ 279 083	**$ 4 345**	$ 2 181	**$ 64 665**	$ 70 944
INCREASE (DECREASE) IN NAV	**2 113**	(806)	**39 345**	(19 061)	**362**	(395)	**13 594**	(4 944)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**6 071**	894	**3 459**	3 703	**–**	2 567	**12 555**	11 213
Reinvestments of distributions to holders of redeemable units	**109**	388	**1 619**	8 570	**–**	182	**1 207**	3 062
Redemption of redeemable units	**(2 415)**	(2 147)	**(35 865)**	(46 594)	**(4 707)**	–	**(10 323)**	(12 318)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**3 765**	(865)	**(30 787)**	(34 321)	**(4 707)**	2 749	**3 439**	1 957
Distributions from net income	**(116)**	(45)	**(1 752)**	(1 067)	**–**	(27)	**(1 289)**	(881)
Distributions from net gains	**–**	(352)	**–**	(8 177)	**–**	(163)	**–**	(2 411)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(116)**	(397)	**(1 752)**	(9 244)	**–**	(190)	**(1 289)**	(3 292)
NET INCREASE (DECREASE) IN NAV	**5 762**	(2 068)	**6 806**	(62 626)	**(4 345)**	2 164	**15 744**	(6 279)
NAV AT END OF PERIOD	**$ 15 014**	$ 9 252	**$ 223 263**	$ 216 457	**$ –**	$ 4 345	**$ 80 409**	$ 64 665

For the periods ended December 31	Series F		Series I		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 91 336**	$ 98 164	**$ 7 739**	$ 6 661	**$ 591 951**	$ 427 618	**$ 985 745**	$ 895 971
INCREASE (DECREASE) IN NAV	**22 483**	(7 002)	**713**	(499)	**139 129**	(33 259)	**217 739**	(65 966)
Early redemption fees	**–**	1	**–**	–	**–**	–	**–**	1
Proceeds from redeemable units issued	**53 340**	33 476	**987**	2 379	**191 744**	276 352	**268 156**	330 584
Reinvestments of distributions to holders of redeemable units	**673**	1 368	**–**	354	**14 790**	28 742	**18 398**	42 666
Redemption of redeemable units	**(28 998)**	(29 640)	**(9 439)**	(692)	**(190 815)**	(70 222)	**(282 562)**	(161 613)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**25 015**	5 205	**(8 452)**	2 041	**15 719**	234 872	**3 992**	211 638
Distributions from net income	**(2 594)**	(1 502)	**–**	(147)	**(18 949)**	(14 846)	**(24 700)**	(18 515)
Distributions from net gains	**–**	(3 529)	**–**	(317)	**–**	(22 434)	**–**	(37 383)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(2 594)**	(5 031)	**–**	(464)	**(18 949)**	(37 280)	**(24 700)**	(55 898)
NET INCREASE (DECREASE) IN NAV	**44 904**	(6 828)	**(7 739)**	1 078	**135 899**	164 333	**197 031**	89 774
NAV AT END OF PERIOD	**$ 136 240**	$ 91 336	**$ –**	$ 7 739	**$ 727 850**	$ 591 951	**$ 1 182 776**	$ 985 745

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

December 31, 2016

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide long-term capital growth by investing primarily in equities of Canadian companies priced below the manager's assessment of their true value and offering long-term opportunities for growth.

All outstanding Series H units were re-designated as Series C units, and then all Series C units were renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016.

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 0.8% (December 31, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**38.4**	41.3
Energy	**21.6**	19.8
Materials	**8.4**	6.1
Industrials	**8.0**	6.1
Consumer Discretionary	**4.2**	4.8
Consumer Staples	**4.1**	4.9
Utilities	**3.2**	2.3
Telecommunication Services	**3.2**	5.5
Information Technology	**2.4**	2.4
Real Estate	**2.1**	–
Health Care	**0.5**	0.5
Index Funds	**–**	1.0
Cash/Other	**3.9**	5.3
Total	**100.0**	100.0

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 2016	December 31 2015
S&P/TSX Capped Composite Total Return Index	**+ or - 0.9**	+ or - 0.9

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 127 910**	**8 930**	**–**	**1 136 840**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**54 087**	**–**	**54 087**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**1 127 910**	**63 017**	**–**	**1 190 927**
% of total portfolio	**94.7**	**5.3**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	933 466	–	–	933 466
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	50 188	–	50 188
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	933 466	50 188	–	983 654
% of total portfolio	94.9	5.1	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses†
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series H	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series I	0.60%	0.10%
Series O	n/a‡	0.02%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

† Effective June 26, 2015, the administration fees for Series O units were reduced to 0.02% from 0.05%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**105**	104
Advisor Series	**111**	110
Series H	**–**	96
Series D	**128**	125
Series F	**130**	127
Series I	**–**	98
Series O	**139**	136
Value of all units	**9**	9

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**787**	851
Issued number of units	**477**	68
Reinvested number of units	**8**	33
Redeemed number of units	**(196)**	(165)
Ending number of units	**1 076**	787
Advisor Series		
Opening units	**18 432**	20 990
Issued number of units	**274**	283
Reinvested number of units	**116**	732
Redeemed number of units	**(2 818)**	(3 573)
Ending number of units	**16 004**	18 432
Series H		
Opening units	**369**	164
Issued number of units	**–**	189
Reinvested number of units	**–**	16
Redeemed number of units	**(369)**	–
Ending number of units	**–**	369
Series D		
Opening units	**5 437**	5 267
Issued number of units	**985**	845
Reinvested number of units	**85**	258
Redeemed number of units	**(816)**	(933)
Ending number of units	**5 691**	5 437
Series F		
Opening units	**7 667**	7 277
Issued number of units	**4 167**	2 519
Reinvested number of units	**47**	115
Redeemed number of units	**(2 251)**	(2 244)
Ending number of units	**9 630**	7 667
Series I		
Opening units	**652**	495
Issued number of units	**79**	184
Reinvested number of units	**–**	30
Redeemed number of units	**(731)**	(57)
Ending number of units	**–**	652
Series O		
Opening units	**50 166**	31 953
Issued number of units	**15 114**	21 136
Reinvested number of units	**1 052**	2 444
Redeemed number of units	**(14 433)**	(5 367)
Ending number of units	**51 899**	50 166

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

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**945**	**100**	909	100
Related-party brokerage commissions*	**155**	**16**	69	8
Commission arrangements†	**85**	**9**	16	2

* See note 7 in the generic notes.

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

Investments by other related investment funds (%) (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 2016	December 31 2015
Phillips, Hager & North Canadian Equity Value Class	**0.3**	0.2
Phillips, Hager & North LifeTime 2015 Fund	**–**	–
Phillips, Hager & North LifeTime 2020 Fund	**–**	0.1
Phillips, Hager & North LifeTime 2025 Fund	**0.1**	0.1
Phillips, Hager & North LifeTime 2030 Fund	**0.2**	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	**0.5**	0.4
Phillips, Hager & North LifeTime 2050 Fund	**0.1**	–
RBC Retirement 2020 Portfolio	**–**	–
RBC Retirement 2025 Portfolio	**–**	–
RBC Retirement 2030 Portfolio	**–**	–
RBC Retirement 2035 Portfolio	**–**	–
RBC Retirement 2040 Portfolio	**–**	–
RBC Retirement 2045 Portfolio	**–**	–
Total	**1.6**	1.3

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
241 923	Aritzia Inc.	$ 3 871	$ 4 234	
232 591	BRP Inc.	4 515	6 594	
126 648	Cineplex Inc.	4 494	6 487	
284 106	Dollarama Inc.	13 065	27 950	
802 235	Gildan Activewear Inc., Class A	26 697	27 348	
352 900	goeasy Ltd.	7 293	8 611	
490 400	Great Canadian Gaming Corp.	7 207	12 250	
510 300	Leon's Furniture Ltd.	6 945	9 226	
732 111	Quebecor Inc., Class B	21 899	27 322	
264 531	Restaurant Brands International Inc.	11 351	16 917	
281 860	Shaw Communications Inc., Class B	6 537	7 593	
579 100	Sleep Country Canada Holdings Inc.	10 461	16 666	
		124 335	171 198	**6.8**
Consumer Staples				
1 038 923	Alimentation Couche-Tard Inc.	32 243	63 250	
179 192	Empire Co. Ltd., Class A	4 376	2 817	
210 941	Maple Leaf Foods Inc.	3 032	5 932	
		39 651	71 999	**2.9**
Energy				
907 825	ARC Resources Ltd.	20 452	20 980	
539 214	Cameco Corp.	11 186	7 571	
1 362 035	Canadian Natural Resources Ltd.	44 231	58 280	
1 736 145	Cenovus Energy Inc.	37 015	35 243	
2 841 200	Crescent Point Energy Corp.	49 202	51 851	
2 061 016	Enbridge Inc.	97 959	116 446	
303 400	Keyera Corp.	11 369	12 276	
849 000	MEG Energy Corp.	7 831	7 836	
96 539	Parkland Fuel Corp.*, Subscription Receipts	2 365	2 365	
977 000	Pembina Pipeline Corp.	31 323	40 995	
785 668	PrairieSky Royalty Ltd.	20 163	25 094	
836 700	Raging River Exploration Inc.	6 795	8 836	
1 095 200	Secure Energy Services Inc.	10 661	12 825	
993 800	Seven Generations Energy Ltd.	21 074	31 116	
1 095 846	Suncor Energy Inc.	37 828	48 108	
777 266	Tourmaline Oil Corp.	24 959	27 912	
649 654	Tourmaline Oil Corp.*, Subscription Receipts Restricted March 10, 2017	22 575	22 796	
552 872	TransCanada Corp.	28 829	33 471	
2 587 287	Trinidad Drilling Ltd.	19 919	8 642	
		505 736	572 643	**22.8**
Financials				
234 526	Bank of Montreal	16 229	22 648	
1 690 592	Bank of Nova Scotia	98 017	126 389	
2 053 815	Brookfield Asset Management Inc., Class A	63 050	90 984	
1 531 400	Canaccord Genuity Group Inc.	8 677	7 305	
337 220	Canadian Imperial Bank of Commerce	32 464	36 946	
663 000	CI Financial Corp.	20 697	19 141	
1 436 211	ECN Capital Corp.	4 167	4 739	
2 884 311	Element Fleet Management Corp.	32 272	35 939	
379 876	Home Capital Group Inc.	11 202	11 905	
3 833 196	Manulife Financial Corporation	70 399	91 652	
521 500	National Bank of Canada	21 292	28 437	
2 279 026	Royal Bank of Canada†	144 960	207 095	
948 700	Sun Life Financial Inc.	39 503	48 905	
2 052 900	The Westaim Corp.	6 364	5 748	
423 814	Thomson Corp.	16 138	24 903	
2 875 352	Toronto-Dominion Bank	124 215	190 406	
		709 646	953 142	**38.0**
Industrials				
820 147	Badger Daylighting Ltd.	16 357	26 327	
160 050	Boyd Group Income Fund	5 472	13 694	
800 104	Canadian National Railway Co.	42 207	72 297	
147 900	Canadian Pacific Railway Ltd.	29 012	28 332	
340 853	Finning International Inc.	7 897	8 961	
357 431	Richelieu Hardware Ltd.	4 749	9 136	
243 693	Ritchie Bros. Auctioneers Inc.	8 085	11 100	
495 682	Stantec Inc.	14 674	16 814	
128 295	Toromont Industries Ltd.	2 861	5 433	
423 300	Waste Connections Inc.	41 179	44 590	
		172 493	236 684	**9.4**
Information Technology				
584 368	CGI Group Inc., Class A	22 874	37 657	
21 200	Constellation Software Inc.	11 517	12 935	
347 900	DH Corp.	10 935	7 751	
159 600	Kinaxis Inc.	2 716	9 975	
365 033	Open Text Corp.	24 838	30 269	
		72 880	98 587	**3.9**
Materials				
406 096	Agnico Eagle Mines Ltd.	15 132	22 924	
198 871	Agrium Inc.	18 730	26 840	
1 801 453	B2Gold Corp.	7 014	5 747	
805 095	Barrick Gold Corp.	16 295	17 301	
1 238 000	Belo Sun Mining Corp.	1 052	842	
58 892	CCL Industries, Class B	4 012	15 536	
402 289	Continental Gold Inc.	1 749	1 770	
309 367	Detour Gold Corp.	4 414	5 658	
266 863	Eldorado Gold Corp.	1 767	1 153	
183 292	Endeavour Mining Corp.	3 483	3 677	
1 460 491	First Quantum Minerals Ltd.	18 961	19 498	
91 514	Franco-Nevada Corp.	4 017	7 347	
472 132	Goldcorp Inc.	12 272	8 631	
561 241	Mountain Province Diamonds Inc.	2 839	3 772	
469 503	OceanaGold Corp.	1 989	1 836	
2 775 277	Polaris Materials Corp.	4 572	3 358	
819 448	Potash Corporation of Saskatchewan Inc.	34 531	19 904	

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
211 325	Richmont Mines Inc.	$ 2 533	$ 1 843	
1 224 720	Semafo Inc.	4 782	5 413	
307 221	Silver Wheaton Corp.	8 550	7 969	
150 428	Stella-Jones Inc.	4 460	6 556	
533 113	Tahoe Resources Inc.	8 387	6 744	
277 443	Torex Gold Resources Inc.	4 766	5 768	
1 034 364	Turquoise Hill Resources Ltd.	4 923	4 458	
		191 230	204 545	**8.2**
Real Estate				
44 800	Boardwalk Real Estate Investment Trust	1 939	2 180	
1 068 792	Brookfield Property Partners LP	30 128	31 348	
98 464	FirstService Corp.	2 919	6 276	
		34 986	39 804	**1.6**
Telecommunication Services				
518 043	Rogers Communications Inc., Class B	22 253	26 829	
729 540	TELUS Corp.	24 507	31 188	
		46 760	58 017	**2.3**
Utilities				
578 100	Brookfield Infrastructure Partners LP	22 600	25 968	
266 200	Emera Inc.	12 046	12 083	
621 700	Fortis Inc.	25 234	25 776	
		59 880	63 827	**2.6**
TOTAL CANADIAN EQUITIES		1 957 597	2 470 446	**98.5**
SHORT-TERM INVESTMENTS‡		28 090	28 090	**1.1**
TOTAL INVESTMENTS		$1 985 687	2 498 536	**99.6**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			9 320	**0.4**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$2 507 856	**100.0**

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.45% to 0.86% and mature between January 3, 2017 and January 16, 2017.

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 2 498 536**	$ 2 383 467
Cash	**2 089**	704
Due from investment dealers	**4 198**	–
Subscriptions receivable	**35**	191
Dividends receivable, interest accrued and other assets	**4 449**	5 172
TOTAL ASSETS	**2 509 307**	2 389 534
LIABILITIES		
Due to investment dealers	**1 402**	–
Redemptions payable	**–**	1 505
Distributions payable	**1**	5
Accounts payable and accrued expenses	**48**	45
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**1 451**	1 555
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 2 507 856**	$ 2 387 979
Investments at cost	**$ 1 985 687**	$ 2 266 845
NAV		
SERIES O	**$ 2 507 856**	$ 2 387 979
NAV PER UNIT		
SERIES O	**$ 11.76**	$ 10.00

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 67 227**	$ 71 143
Interest for distribution purposes	**308**	246
Other income (loss)	**180**	260
Securities lending revenue (see note 6 in the generic notes)	**1 404**	545
Net realized gain (loss) on investments	**62 146**	(10 710)
Net gain (loss) on foreign currencies and other net assets	**93**	(63)
Change in unrealized gain (loss) on investments	**396 227**	(229 955)
TOTAL INCOME (LOSS)	**527 585**	(168 534)
EXPENSES (see notes – Fund Specific Information)		
Administration fees	**485**	513
Independent Review Committee costs	**2**	3
GST/HST	**50**	52
Transaction costs	**2 084**	1 758
TOTAL EXPENSES	**2 621**	2 326
INCREASE (DECREASE) IN NAV	**$ 524 964**	$ (170 860)
INCREASE (DECREASE) IN NAV		
SERIES O	**$ 524 964**	$ (170 860)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES O	**$ 2.37**	$ (0.74)

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 524 964**	$ (170 860)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(59 770)**	10 710
Change in unrealized loss (gain) on investments	**(396 227)**	229 955
(Increase) decrease in accrued receivables	**723**	(927)
Increase (decrease) in accrued payables	**3**	(3)
Cost of investments purchased	**(3 823 940)**	(3 137 408)
Proceeds on sales of investments	**4 162 072**	3 051 396
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**407 825**	(17 137)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**64 279**	123 958
Cash paid on redemption of redeemable units	**(470 719)**	(106 737)
Distributions paid to holders of redeemable units	**–**	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (406 440)**	$ 17 221
Net increase (decrease) in cash for the period	**1 385**	84
Cash (bank overdraft), beginning of period	**704**	620
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 2 089**	$ 704
Interest received (paid)	**$ 305**	$ 253
Dividends received, net of withholding taxes	**$ 68 133**	$ 70 469

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

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

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 O 2016	2015
NAV AT BEGINNING OF PERIOD	**$ 2 387 979**	$ 2 535 912
INCREASE (DECREASE) IN NAV	**524 964**	(170 860)
Early redemption fees	**–**	–
Proceeds from redeemable units issued	**64 123**	124 149
Reinvestments of distributions to holders of redeemable units	**125 756**	71 371
Redemption of redeemable units	**(469 214)**	(101 217)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(279 335)**	94 303
Distributions from net income	**(70 065)**	(71 376)
Distributions from net gains	**(55 687)**	–
Distributions from capital	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(125 752)**	(71 376)
NET INCREASE (DECREASE) IN NAV	**119 877**	(147 933)
NAV AT END OF PERIOD	**$ 2 507 856**	$ 2 387 979

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

December 31, 2016

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 1.0% (December 31, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**38.0**	39.0
Energy	**22.8**	21.0
Industrials	**9.4**	8.1
Materials	**8.2**	8.1
Consumer Discretionary	**6.8**	8.5
Information Technology	**3.9**	3.7
Consumer Staples	**2.9**	4.2
Utilities	**2.6**	0.8
Telecommunication Services	**2.3**	3.2
Real Estate	**1.6**	–
Health Care	**–**	2.4
Cash/Other	**1.5**	1.0
Total	**100.0**	100.0

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 2016	December 31 2015
S&P/TSX Capped Composite Total Return Index	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**2 445 285**	**25 161**	**–**	**2 470 446**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**28 090**	**–**	**28 090**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**2 445 285**	**53 251**	**–**	**2 498 536**
% of total portfolio	**97.9**	**2.1**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	2 364 252	–	–	2 364 252
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	19 215	–	19 215
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 364 252	19 215	–	2 383 467
% of total portfolio	99.2	0.8	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series O	n/a*	0.02%

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

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

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 2016	December 31 2015
Units held		
Series O	**56**	53
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, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series O		
Opening units	**238 883**	229 262
Issued number of units	**6 563**	11 448
Reinvested number of units	**10 690**	7 140
Redeemed number of units	**(42 946)**	(8 967)
Ending number of units	**213 190**	238 883

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**2 084**	**100**	1 758	100
Related-party brokerage commissions*	**194**	**9**	104	6
Commission arrangements†	**129**	**6**	40	2

* See note 7 in the generic notes.
† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

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

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**227 773**	302 472
Fair value of collateral received	**232 328**	317 596

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Gross revenue	**2 494**	**100**	897	100
RBC IS (paid)	**(873)**	**(35)**	(314)	(35)
Tax withheld	**(217)**	**(9)**	(38)	(4)
Fund revenue	**1 404**	**56**	545	61

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 2016	December 31 2015
Phillips, Hager & North Balanced Fund	**10.7**	9.9
Phillips, Hager & North Balanced Pension Trust	**14.9**	15.8
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	**0.1**	0.1
Phillips, Hager & North LifeTime 2040 Fund	**0.1**	0.1
Phillips, Hager & North LifeTime 2045 Fund	**0.2**	0.2
Phillips, Hager & North LifeTime 2050 Fund	**–**	–
RBC Retirement 2020 Portfolio	**–**	–
RBC Retirement 2025 Portfolio	**–**	–
RBC Retirement 2030 Portfolio	**–**	–
RBC Retirement 2035 Portfolio	**–**	–
RBC Retirement 2040 Portfolio	**–**	–
RBC Retirement 2045 Portfolio	**–**	–
RBC Retirement 2050 Portfolio	**–**	–
RBC Select Aggressive Growth Portfolio	**3.5**	3.0
RBC Select Balanced Portfolio	**33.1**	28.1
RBC Select Conservative Portfolio	**16.2**	22.7
RBC Select Growth Portfolio	**16.3**	13.9
RBC Select Very Conservative Portfolio	**4.5**	6.2
Total	**99.9**	100.3

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
116 900	Dollarama Inc.	$ 9 675	$ 11 501	
602 327	Gildan Activewear Inc., Class A	22 769	20 533	
657 708	Quebecor Inc., Class B	23 721	24 546	
110 100	Restaurant Brands International Inc.	6 512	7 041	
363 000	Shaw Communications Inc., Class B	8 705	9 779	
		71 382	73 400	**5.5**
Consumer Staples				
648 300	Alimentation Couche-Tard Inc.	38 306	39 469	
180 500	Empire Co. Ltd., Class A	4 193	2 837	
		42 499	42 306	**3.2**
Energy				
361 900	ARC Resources Ltd.	7 029	8 364	
582 478	Canadian Natural Resources Ltd.	21 242	24 924	
2 119 049	Cenovus Energy Inc.	38 875	43 018	
1 777 166	Crescent Point Energy Corp.	32 493	32 434	
1 097 300	Enbridge Inc.	55 149	61 998	
239 400	Keyera Corp.	8 990	9 686	
830 100	MEG Energy Corp.	5 407	7 662	
648 000	Pembina Pipeline Corp.	22 916	27 190	
464 762	PrairieSky Royalty Ltd.	11 054	14 844	
611 007	Precision Drilling Corp.	3 373	4 473	
825 400	Seven Generations Energy Ltd.	22 129	25 843	
341 100	Tourmaline Oil Corp.	11 153	12 249	
525 799	Tourmaline Oil Corp.*, Subscription Receipts Restricted March 10, 2017	18 272	18 450	
281 174	TransCanada Corp.	16 449	17 022	
		274 531	308 157	**23.0**
Financials				
452 400	Bank of Nova Scotia	27 948	33 821	
1 207 600	Brookfield Asset Management Inc., Class A	52 312	53 497	
527 600	Canadian Imperial Bank of Commerce	52 384	57 804	
671 800	CI Financial Corp.	19 952	19 395	
1 582 500	Element Fleet Management Corp.	19 511	19 718	
1 676 900	Manulife Financial Corporation	32 236	40 095	
259 700	National Bank of Canada	11 677	14 161	
1 141 900	Royal Bank of Canada†	86 359	103 764	
539 400	Sun Life Financial Inc.	22 993	27 806	
183 900	Thomson Corp.	9 570	10 806	
1 456 700	Toronto-Dominion Bank	78 690	96 463	
		413 632	477 330	**35.6**
Industrials				
245 200	Canadian National Railway Co.	$ 19 419	$ 22 156	
97 800	Canadian Pacific Railway Ltd.	17 770	18 735	
277 100	Finning International Inc.	5 548	7 285	
1 119	Ritchie Bros. Auctioneers Inc.	41	51	
645 100	Stantec Inc.	20 586	21 882	
310 700	Waste Connections Inc.	30 848	32 729	
		94 212	102 838	**7.7**
Information Technology				
490 400	CGI Group Inc., Class A	28 964	31 601	
10 400	Constellation Software Inc.	5 650	6 345	
229 305	Open Text Corp.	19 059	19 014	
		53 673	56 960	**4.2**
Materials				
217 400	Agnico Eagle Mines Ltd.	8 410	12 272	
91 800	Agrium Inc.	10 959	12 389	
991 110	B2Gold Corp.	3 703	3 162	
431 040	Barrick Gold Corp.	8 337	9 263	
653 410	Belo Sun Mining Corp.	555	444	
97 200	CCL Industries, Class B	22 992	25 641	
227 540	Continental Gold Inc.	605	1 001	
164 060	Detour Gold Corp.	2 575	3 001	
142 440	Eldorado Gold Corp.	710	615	
97 243	Endeavour Mining Corp.	1 847	1 951	
681 044	First Quantum Minerals Ltd.	6 710	9 092	
52 160	Franco-Nevada Corp.	3 128	4 187	
250 170	Goldcorp Inc.	5 072	4 573	
304 806	Mountain Province Diamonds Inc.	1 352	2 048	
248 480	OceanaGold Corp.	1 055	972	
283 100	Potash Corporation of Saskatchewan Inc.	6 600	6 876	
109 350	Richmont Mines Inc.	1 312	954	
639 240	Semafo Inc.	2 364	2 825	
163 210	Silver Wheaton Corp.	3 922	4 234	
283 635	Tahoe Resources Inc.	3 776	3 588	
146 847	Torex Gold Resources Inc.	2 090	3 053	
1 364 100	Turquoise Hill Resources Ltd.	5 527	5 879	
		103 601	118 020	**8.8**
Real Estate				
220 852	Allied Properties Real Estate Investment Trust	7 486	7 940	
1 121 800	Brookfield Property Partners LP	32 470	32 902	
83 134	Canadian Real Estate Investment Trust	3 715	3 849	
		43 671	44 691	**3.3**
Telecommunication Services				
489 600	Rogers Communications Inc., Class B	24 679	25 356	
		24 679	25 356	**1.9**

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND II

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
457 000	Brookfield Infrastructure Partners LP	$ 17 991	$ 20 528	
332 200	Emera Inc.	15 018	15 079	
488 100	Fortis Inc.	20 094	20 237	
		53 103	55 844	**4.2**
TOTAL CANADIAN EQUITIES		1 174 983	1 304 902	**97.4**
SHORT-TERM INVESTMENTS‡		27 829	27 829	**2.1**
TOTAL INVESTMENTS		$1 202 812	1 332 731	**99.5**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			7 197	**0.5**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$1 339 928	**100.0**

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.45% to 0.92% and mature between January 3, 2017 and January 16, 2017.

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND II

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 1 332 731**	$ 1 395 243
Cash	**1 486**	473
Due from investment dealers	**4 558**	–
Dividends receivable, interest accrued and other assets	**2 304**	3 508
TOTAL ASSETS	**1 341 079**	1 399 224
LIABILITIES		
Due to investment dealers	**1 126**	–
Accounts payable and accrued expenses	**25**	26
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**1 151**	26
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 1 339 928**	$ 1 399 198
Investments at cost	**$ 1 202 812**	$ 1 485 672
NAV		
SERIES O	**$ 1 339 928**	$ 1 399 198
NAV PER UNIT		
SERIES O	**$ 9.70**	$ 8.52

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 41 193**	$ 24 995
Interest for distribution purposes	**224**	140
Other income (loss)	**563**	266
Securities lending revenue (see note 6 in the generic notes)	**138**	96
Net realized gain (loss) on investments	**56 634**	(4 939)
Net gain (loss) on foreign currencies and other net assets	**68**	(18)
Change in unrealized gain (loss) on investments	**220 348**	(94 580)
TOTAL INCOME (LOSS)	**319 168**	(74 040)
EXPENSES (see notes – Fund Specific Information)		
Administration fees	**288**	167
Independent Review Committee costs	**2**	3
GST/HST	**30**	17
Transaction costs	**5 368**	3 921
TOTAL EXPENSES	**5 688**	4 108
INCREASE (DECREASE) IN NAV	**$ 313 480**	$ (78 148)
INCREASE (DECREASE) IN NAV		
SERIES O	**$ 313 480**	$ (78 148)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES O	**$ 2.02**	$ (0.89)

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

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 313 480**	$ (78 148)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(50 969)**	4 939
Change in unrealized loss (gain) on investments	**(220 348)**	94 580
(Increase) decrease in accrued receivables	**1 204**	(2 884)
Increase (decrease) in accrued payables	**(1)**	17
Cost of investments purchased	**(5 074 114)**	(4 522 022)
Proceeds on sales of investments	**5 404 511**	3 435 568
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**373 763**	(1 067 950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**243 250**	1 073 275
Cash paid on redemption of redeemable units	**(616 000)**	(5 000)
Distributions paid to holders of redeemable units	**–**	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (372 750)**	$ 1 068 275
Net increase (decrease) in cash for the period	**1 013**	325
Cash (bank overdraft), beginning of period	**473**	148
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 1 486**	$ 473
Interest received (paid)	**$ 220**	$ 139
Dividends received, net of withholding taxes	**$ 42 964**	$ 22 378

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

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND II

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

For the periods ended December 31 (see note 2 in the generic notes)	Series O 2016	2015
NAV AT BEGINNING OF PERIOD	**$ 1 399 198**	$ 409 071
INCREASE (DECREASE) IN NAV	**313 480**	(78 148)
Early redemption fees	**–**	–
Proceeds from redeemable units issued	**243 250**	1 073 275
Reinvestments of distributions to holders of redeemable units	**98 921**	55 943
Redemption of redeemable units	**(616 000)**	(5 000)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(273 829)**	1 124 218
Distributions from net income	**(43 510)**	(22 850)
Distributions from net gains	**(55 411)**	(33 093)
Distributions from capital	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(98 921)**	(55 943)
NET INCREASE (DECREASE) IN NAV	**(59 270)**	990 127
NAV AT END OF PERIOD	**$ 1 339 928**	$ 1 399 198

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

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND II

December 31, 2016

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 1.4% (December 31, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**35.6**	41.6
Energy	**23.0**	21.8
Materials	**8.8**	6.5
Industrials	**7.7**	7.5
Consumer Discretionary	**5.5**	4.8
Information Technology	**4.2**	3.3
Utilities	**4.2**	1.9
Real Estate	**3.3**	–
Consumer Staples	**3.2**	6.0
Telecommunication Services	**1.9**	2.8
Health Care	**–**	2.4
Cash/Other	**2.6**	1.4
Total	**100.0**	100.0

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 29-month (December 31, 2015 – 17-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**1.1**	+ or -	1.1

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 286 452**	**18 450**	**–**	**1 304 902**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**27 829**	**–**	**27 829**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**1 286 452**	**46 279**	**–**	**1 332 731**
% of total portfolio	**96.5**	**3.5**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 379 810	–	–	1 379 810
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	15 433	–	15 433
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 379 810	15 433	–	1 395 243
% of total portfolio	98.9	1.1	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series O	n/a*	0.02%

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

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

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 2016	December 31 2015
Units held		
Series O	**16 959**	15 707
Value of all units	**164**	134

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series O		
Opening units	**164 149**	42 435
Issued number of units	**29 830**	115 686
Reinvested number of units	**10 200**	6 563
Redeemed number of units	**(66 009)**	(535)
Ending number of units	**138 170**	164 149

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**5 368**	**100**	3 921	100
Related-party brokerage commissions*	**418**	**8**	159	4
Commission arrangements†	**555**	**10**	405	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 except %) (see note 6 in the generic notes)

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**143 684**	259 104
Fair value of collateral received	**146 558**	272 059

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Gross revenue	**240**	**100**	160	100
RBC IS (paid)	**(84)**	**(35)**	(56)	(35)
Tax withheld	**(18)**	**(8)**	(8)	(5)
Fund revenue	**138**	**57**	96	60

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 2016	December 31 2015
RBC Select Aggressive Growth Portfolio	**1.8**	1.6
RBC Select Balanced Portfolio	**49.2**	37.9
RBC Select Conservative Portfolio	**30.8**	39.6
RBC Select Growth Portfolio	**5.3**	6.2
RBC Select Very Conservative Portfolio	**12.8**	14.7
Total	**99.9**	100.0

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
123 500	Aritzia Inc.	$ 1 976	$ 2 161	
37 500	Canadian Tire Corp. Ltd., Class A	3 318	5 223	
98 000	Cara Operations Ltd.	2 285	2 445	
121 700	EnerCare Inc.	1 941	2 171	
175 900	Magna International Inc., Class A	5 538	10 255	
1 750 000	Mood Media Corp.	3 202	123	
66 500	Restaurant Brands International Inc.	3 231	4 253	
120 100	Shaw Communications Inc., Class B	2 667	3 235	
92 100	Spin Master Corp.	1 680	2 965	
276 100	The Intertain Group Ltd.	3 440	2 590	
993 327	Zungui Haixi Corp.	2 722	–	
		32 000	35 421	**6.2**
Consumer Staples				
90 500	Alimentation Couche-Tard Inc.	2 783	5 510	
254 300	Clearwater Seafoods Inc.	3 091	2 963	
223 500	Cott Corporation	3 129	3 397	
96 930	Loblaw Companies Ltd.	5 309	6 867	
555 556	Sustainable Produce Urban Delivery Inc.* (Private)	1 000	1 500	
		15 312	20 237	**3.5**
Energy				
90 300	ARC Resources Ltd.	2 128	2 087	
107 600	Cameco Corp.	2 432	1 511	
327 000	Canadian Natural Resources Ltd.	11 371	13 992	
428 000	Canyon Services Group Inc.	2 552	3 009	
379 633	Cardinal Energy Ltd.	3 767	4 020	
245 100	Cenovus Energy Inc.	5 332	4 976	
117 563	Crescent Point Energy Corp.	3 622	2 146	
263 159	Enbridge Inc.	10 238	14 868	
1 123 800	Gear Energy Ltd.	2 394	1 326	
557 600	Kelt Exploration Ltd.	3 169	3 775	
220 000	Painted Pony Petroleum Ltd., Class A	1 751	2 028	
125 400	Pembina Pipeline Corp.	4 054	5 262	
377 000	Raging River Exploration Inc.	1 903	3 981	
266 000	Secure Energy Services Inc.	3 053	3 115	
1 783 926	Spartan Energy Corp.	5 004	5 940	
482 900	Suncor Energy Inc.	18 018	21 199	
135 800	Tourmaline Oil Corp.	4 568	4 877	
250 900	TransCanada Corp.	10 451	15 189	
57 100	Vermilion Energy Inc.	2 986	3 226	
289 300	Western Energy Services Corp.	2 243	897	
345 000	Whitecap Resources Inc.	3 257	4 195	
		104 293	121 619	**21.1**
Financials				
155 500	Alaris Royalty Corp.	$ 4 153	$ 3 724	
198 100	Bank of Montreal	12 215	19 131	
376 000	Bank of Nova Scotia	20 070	28 110	
234 450	Brookfield Asset Management Inc., Class A	5 396	10 386	
130 400	Canadian Imperial Bank of Commerce	10 100	14 287	
5 000	Fairfax Financial Holdings Ltd.	3 283	3 243	
48 500	Intact Financial Corp.	3 164	4 661	
534 000	Manulife Financial Corporation	9 418	12 768	
313 700	Power Corporation of Canada	8 181	9 427	
448 600	Royal Bank of Canada†	23 838	40 764	
146 700	Sun Life Financial Inc.	4 707	7 562	
92 500	Thomson Corp.	3 924	5 435	
574 000	Toronto-Dominion Bank	20 702	38 010	
		129 151	197 508	**34.3**
Health Care				
812 000	Prometic Life Sciences Inc.	2 203	1 811	
84 100	Valeant Pharmaceuticals International Inc.	7 631	1 637	
		9 834	3 448	**0.6**
Industrials				
165 800	Aecon Group Inc.	2 326	2 528	
141 400	Air Canada	1 406	1 933	
285 000	Canadian National Railway Co.	12 466	25 753	
35 200	Canadian Pacific Railway Ltd.	6 654	6 743	
60 400	Stantec Inc.	1 827	2 049	
52 968	Waste Connections Inc.	4 640	5 580	
		29 319	44 586	**7.7**
Information Technology				
207 600	BlackBerry Ltd.	2 614	1 918	
94 700	CGI Group Inc., Class A	3 914	6 102	
35 100	Open Text Corp.	2 228	2 910	
303 800	Redknee Solutions Inc.	1 463	474	
23 000	Shopify Inc., Class A	1 147	1 327	
3 200 700	UrtheCast Corp.	4 327	2 753	
		15 693	15 484	**2.7**
Materials				
85 500	Agnico Eagle Mines Ltd.	3 543	4 826	
38 300	Agrium Inc.	3 180	5 169	
355 000	Centerra Gold Inc.	2 609	2 233	
136 300	Detour Gold Corp.	1 993	2 493	
166 700	Dominion Diamond Corp.	2 769	2 169	
33 800	Franco-Nevada Corp.	2 375	2 713	
255 900	Goldcorp Inc.	8 928	4 678	
170 000	Interfor Corp.	1 768	2 555	
3 491 700	Jaguar Mining Inc.	1 065	2 025	
441 300	Lundin Mining Corp.	2 161	2 824	
38 800	Methanex Corp.	2 448	2 285	

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

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

PHILLIPS, HAGER & NORTH
Investment Management®

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
108 600	Norbord Inc.	$ 2 692	$ 3 683	
759 300	OceanaGold Corp.	2 164	2 969	
276 000	Potash Corporation of Saskatchewan Inc.	10 576	6 704	
169 200	Silver Wheaton Corp.	4 342	4 389	
267 000	Tahoe Resources Inc.	4 382	3 378	
129 300	Teck Resources Ltd., Class B	4 042	3 474	
143 030	Torex Gold Resources Inc.	2 390	2 974	
700 000	Yamana Gold Inc.	3 166	2 639	
		66 593	64 180	**11.1**
Real Estate				
260 000	Automotive Properties Real Estate Investment Trust	2 699	2 763	
172 100	Brookfield Property Partners LP	4 169	5 048	
54 065	Canadian Real Estate Investment Trust	1 811	2 503	
262 500	Mainstreet Health Investments Inc.	3 405	3 302	
198 600	Milestone Apartments Real Estate Investment Trust	3 164	3 773	
2 352 900	StorageVault Canada Inc.	2 000	3 388	
		17 248	20 777	**3.6**
Telecommunication Services				
206 000	BCE Inc.	8 275	11 954	
101 100	Rogers Communications Inc., Class B	3 267	5 236	
		11 542	17 190	**3.0**
Utilities				
205 200	Algonquin Power & Utilities Corp.	2 226	2 337	
15 200	Boralex Inc., Class A	264	291	
124 900	Boralex Inc., Subscription Receipts	2 080	2 381	
71 800	Canadian Utilities Ltd., Class A	2 549	2 598	
270 291	Crius Energy Trust	2 138	2 279	
175 000	Innergex Renewable Energy Inc.	2 555	2 455	
210 900	Superior Plus Corp.	1 717	2 689	
35 100	TransAlta Renewables Inc.	346	503	
		13 875	15 533	**2.7**
TOTAL CANADIAN EQUITIES		444 860	555 983	**96.5**
SHORT-TERM INVESTMENTS‡		19 014	19 014	**3.3**
TOTAL INVESTMENTS		463 874	574 997	**99.8**
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	3	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(13)	–
TOTAL PORTFOLIO		$ 463 874	574 987	**99.8**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			1 256	**0.2**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 576 243	**100.0**

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 60 Sold USD 45 @ 1.3408	24-Jan-2017	$ –
Bought USD 50 Sold CAD 66 @ 0.7632	24-Jan-2017	1
Bought USD 40 Sold CAD 53 @ 0.7537	24-Jan-2017	1
Bought USD 50 Sold CAD 66 @ 0.7575	21-Feb-2017	1
		$ 3

Contracts	Maturity Date	Unrealized Loss
Bought CAD 1 187 Sold USD 888 @ 1.3369	24-Jan-2017	$ (5)
Bought USD 50 Sold CAD 68 @ 0.7379	24-Jan-2017	(1)
Bought CAD 652 Sold USD 491 @ 1.3273	21-Feb-2017	(7)
		$ (13)
TOTAL FOREIGN EXCHANGE		$ (10)

All counterparties have a credit rating of at least A.

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.45% to 0.83% and mature between January 3, 2017 and January 30, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 574 997**	$ 505 734
Cash	**325**	145
Due from investment dealers	**–**	4 605
Subscriptions receivable	**292**	265
Unrealized gain on foreign exchange contracts	**3**	158
Dividends receivable, interest accrued and other assets	**1 222**	1 157
TOTAL ASSETS	**576 839**	512 064
LIABILITIES		
Due to investment dealers	**40**	1 391
Redemptions payable	**419**	12
Unrealized loss on foreign exchange contracts	**13**	823
Accounts payable and accrued expenses	**124**	133
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**596**	2 359
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 576 243**	$ 509 705
Investments at cost	**$ 463 874**	$ 468 864
NAV		
SERIES A	**$ 2 205**	$ 2 499
ADVISOR SERIES	**$ 170**	$ 186
SERIES D	**$ 119 163**	$ 112 805
SERIES F	**$ 1 594**	$ 551
SERIES O	**$ 453 111**	$ 393 664
NAV PER UNIT		
SERIES A	**$ 36.31**	$ 30.93
ADVISOR SERIES	**$ 36.31**	$ 30.94
SERIES D	**$ 35.87**	$ 30.57
SERIES F	**$ 36.10**	$ 30.76
SERIES O	**$ 36.81**	$ 31.35

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 15 489**	$ 13 023
Interest for distribution purposes	**131**	176
Other income (loss)	**331**	286
Net realized gain (loss) on investments	**11 845**	(1 619)
Net gain (loss) on foreign currencies and other net assets	**(6)**	(1 742)
Change in unrealized gain (loss) on investments	**74 908**	(37 383)
TOTAL INCOME (LOSS)	**102 698**	(27 259)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**1 104**	1 326
Administration fees	**283**	276
Independent Review Committee costs	**2**	3
GST/HST	**112**	129
Transaction costs	**344**	328
Withholding tax	**31**	76
TOTAL EXPENSES	**1 876**	2 138
INCREASE (DECREASE) IN NAV	**$ 100 822**	$ (29 397)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 383**	$ (189)
ADVISOR SERIES	**$ 35**	$ (17)
SERIES D	**$ 20 338**	$ (7 643)
SERIES F	**$ 224**	$ (26)
SERIES O	**$ 79 842**	$ (21 522)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 5.47**	$ (2.55)
ADVISOR SERIES	**$ 5.73**	$ (2.53)
SERIES D	**$ 5.87**	$ (2.26)
SERIES F	**$ 6.75**	$ (2.17)
SERIES O	**$ 6.53**	$ (1.92)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 100 822**	$ (29 397)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(11 504)**	1 619
Change in unrealized loss (gain) on investments	**(74 908)**	37 383
(Increase) decrease in accrued receivables	**(65)**	(274)
Increase (decrease) in accrued payables	**(9)**	(28)
Cost of investments purchased	**(749 202)**	(939 105)
Proceeds on sales of investments	**768 950**	843 516
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**34 084**	(86 286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**38 887**	115 957
Cash paid on redemption of redeemable units	**(72 642)**	(29 433)
Distributions paid to holders of redeemable units	**(149)**	(136)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (33 904)**	$ 86 388
Net increase (decrease) in cash for the period	**180**	102
Cash (bank overdraft), beginning of period	**145**	43
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 325**	$ 145
Interest received (paid)	**$ 131**	$ 174
Dividends received, net of withholding taxes	**$ 15 723**	$ 12 961

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

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

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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 2 499**	$ 3 037	**$ 186**	$ 155	**$ 112 805**	$ 134 270	**$ 551**	$ 437
INCREASE (DECREASE) IN NAV	**383**	(189)	**35**	(17)	**20 338**	(7 643)	**224**	(26)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**1 058**	870	**25**	55	**2 143**	1 946	**963**	202
Reinvestments of distributions to holders of redeemable units	**20**	11	**2**	1	**2 007**	1 410	**26**	8
Redemption of redeemable units	**(1 735)**	(1 219)	**(76)**	(7)	**(16 095)**	(15 749)	**(143)**	(61)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(657)**	(338)	**(49)**	49	**(11 945)**	(12 393)	**846**	149
Distributions from net income	**(20)**	(11)	**(2)**	(1)	**(2 035)**	(1 429)	**(27)**	(9)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(20)**	(11)	**(2)**	(1)	**(2 035)**	(1 429)	**(27)**	(9)
NET INCREASE (DECREASE) IN NAV	**(294)**	(538)	**(16)**	31	**6 358**	(21 465)	**1 043**	114
NAV AT END OF PERIOD	**$ 2 205**	$ 2 499	**$ 170**	$ 186	**$ 119 163**	$ 112 805	**$ 1 594**	$ 551

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2016	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 393 664**	$ 314 503	**$ 509 705**	$ 452 402
INCREASE (DECREASE) IN NAV	**79 842**	(21 522)	**100 822**	(29 397)
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**34 725**	113 012	**38 914**	116 085
Reinvestments of distributions to holders of redeemable units	**12 101**	9 358	**14 156**	10 788
Redemption of redeemable units	**(55 000)**	(12 213)	**(73 049)**	(29 249)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(8 174)**	110 157	**(19 979)**	97 624
Distributions from net income	**(12 221)**	(9 474)	**(14 305)**	(10 924)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(12 221)**	(9 474)	**(14 305)**	(10 924)
NET INCREASE (DECREASE) IN NAV	**59 447**	79 161	**66 538**	57 303
NAV AT END OF PERIOD	**$ 453 111**	$ 393 664	**$ 576 243**	$ 509 705

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 0.3% (December 31, 2015 – 0.3%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**34.3**	36.0
Energy	**21.1**	16.6
Materials	**11.1**	8.7
Industrials	**7.7**	8.1
Consumer Discretionary	**6.2**	8.4
Real Estate	**3.6**	–
Consumer Staples	**3.5**	4.4
Telecommunication Services	**3.0**	2.9
Information Technology	**2.7**	3.6
Utilities	**2.7**	2.5
Health Care	**0.6**	4.2
Cash/Other	**3.5**	4.6
Total	**100.0**	100.0

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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**1.0**	+ or -	1.0

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**554 483**	**–**	**1 500**	**555 983**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**19 014**	**–**	**19 014**
Derivatives – assets	**–**	**3**	**–**	**3**
Derivatives – liabilities	**–**	**(13)**	**–**	**(13)**
Total financial instruments	**554 483**	**19 004**	**1 500**	**574 987**
% of total portfolio	**96.4**	**3.3**	**0.3**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	484 230	–	1 500	485 730
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	20 004	–	20 004
Derivatives – assets	–	158	–	158
Derivatives – liabilities	–	(823)	–	(823)
Total financial instruments	484 230	19 339	1 500	505 069
% of total portfolio	95.9	3.8	0.3	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

During the periods ended December 31, 2016 and 2015, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2016	December 31 2015
Balance at beginning of period	**1 500**	1 000
Net purchases	**–**	–
Net sales	**–**	–
Net transfers in	**–**	–
Net transfers out	**–**	–
Realized gains (losses)	**–**	–
Unrealized gains (losses)	**–**	500
Balance at end of period	**1 500**	1 500

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

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

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, 2016, 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, 2015 – 0.0%).

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.04%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**19**	19
Advisor Series	**37**	37
Series F	**20**	20
Series O	**21**	21
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, 2016 for the Fund were approximately:

Capital losses	5 883
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**81**	91
Issued number of units	**33**	27
Reinvested number of units	**1**	–
Redeemed number of units	**(54)**	(37)
Ending number of units	**61**	81
Advisor Series		
Opening units	**6**	5
Issued number of units	**1**	1
Reinvested number of units	**–**	–
Redeemed number of units	**(2)**	–
Ending number of units	**5**	6
Series D		
Opening units	**3 691**	4 061
Issued number of units	**66**	59
Reinvested number of units	**56**	46
Redeemed number of units	**(491)**	(475)
Ending number of units	**3 322**	3 691
Series F		
Opening units	**18**	13
Issued number of units	**29**	7
Reinvested number of units	**1**	–
Redeemed number of units	**(4)**	(2)
Ending number of units	**44**	18
Series O		
Opening units	**12 555**	9 268
Issued number of units	**1 118**	3 351
Reinvested number of units	**330**	300
Redeemed number of units	**(1 693)**	(364)
Ending number of units	**12 310**	12 555

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

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**344**	**100**	328	100
Related-party brokerage commissions*	**24**	**7**	38	12
Commission arrangements†	**6**	**2**	3	1

* 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 2016	December 31 2015
RBC Retirement 2025 Portfolio	**–**	–
RBC Retirement 2030 Portfolio	**–**	–
RBC Retirement 2035 Portfolio	**–**	–
RBC Retirement 2040 Portfolio	**–**	–
RBC Retirement 2045 Portfolio	**–**	–
RBC Retirement 2050 Portfolio	**–**	–
RBC Select Aggressive Growth Portfolio	**15.5**	14.9
RBC Select Choices Aggressive Growth Portfolio	**1.8**	2.1
RBC Select Choices Growth Portfolio	**1.7**	2.0
RBC Select Growth Portfolio	**55.2**	54.1
RBC Target 2030 Education Fund	**2.9**	2.5
Total	**77.1**	75.6

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
96 265	Cineplex Inc.	$ 4 387	$ 4 931	
137 900	Dollarama Inc.	11 175	13 567	
463 465	Gildan Activewear Inc., Class A	17 439	15 800	
521 314	Quebecor Inc., Class B	18 901	19 455	
311 100	Shaw Communications Inc., Class B	7 283	8 381	
		59 185	62 134	**6.6**
Consumer Staples				
446 500	Alimentation Couche-Tard Inc.	25 877	27 183	
142 582	Empire Co. Ltd., Class A	3 333	2 241	
		29 210	29 424	**3.1**
Energy				
412 889	ARC Resources Ltd.	8 202	9 542	
228 600	Canadian Natural Resources Ltd.	8 679	9 781	
1 303 818	Cenovus Energy Inc.	24 073	26 467	
1 552 400	Crescent Point Energy Corp.	28 574	28 330	
794 090	Enbridge Inc.	40 619	44 865	
242 000	Keyera Corp.	9 117	9 790	
56 265	Parkland Fuel Corp.*, Subscription Receipts	1 378	1 378	
318 300	Pembina Pipeline Corp.	10 219	13 356	
293 784	PrairieSky Royalty Ltd.	7 259	9 383	
347 000	Seven Generations Energy Ltd.	10 755	10 865	
148 300	Tourmaline Oil Corp.	5 111	5 325	
115 591	Tourmaline Oil Corp.*, Subscription Receipts Restricted March 10, 2017	4 017	4 056	
179 337	TransCanada Corp.	10 491	10 857	
		168 494	183 995	**19.7**
Financials				
428 900	Bank of Nova Scotia	26 780	32 065	
800 600	Brookfield Asset Management Inc., Class A	34 451	35 467	
323 600	Canadian Imperial Bank of Commerce	31 925	35 454	
462 000	CI Financial Corp.	14 266	13 338	
1 096 100	Element Fleet Management Corp.	13 021	13 657	
1 125 500	Manulife Financial Corporation	21 678	26 911	
173 100	National Bank of Canada	7 927	9 439	
833 200	Royal Bank of Canada†	63 027	75 713	
453 400	Sun Life Financial Inc.	19 186	23 373	
118 600	Thomson Corp.	6 183	6 969	
1 146 100	Toronto-Dominion Bank	61 729	75 895	
		300 173	348 281	**37.2**
Industrials				
160 100	Canadian National Railway Co.	$ 12 502	$ 14 467	
27 900	Canadian Pacific Railway Ltd.	5 036	5 345	
147 700	Finning International Inc.	3 260	3 883	
525 000	Stantec Inc.	16 470	17 808	
211 000	Waste Connections Inc.	20 833	22 227	
		58 101	63 730	**6.8**
Information Technology				
164 800	CGI Group Inc., Class A	10 068	10 620	
8 100	Constellation Software Inc.	4 398	4 942	
149 656	Open Text Corp.	11 732	12 409	
		26 198	27 971	**3.0**
Materials				
134 400	Agnico Eagle Mines Ltd.	6 939	7 587	
73 700	Agrium Inc.	8 636	9 947	
67 600	CCL Industries, Class B	16 018	17 833	
160 200	Franco-Nevada Corp.	12 053	12 861	
1 070 800	Goldcorp Inc.	20 700	19 574	
217 600	Potash Corporation of Saskatchewan Inc.	5 073	5 286	
		69 419	73 088	**7.8**
Real Estate				
290 200	Allied Properties Real Estate Investment Trust	9 829	10 433	
705 900	Brookfield Property Partners LP	20 275	20 704	
59 170	Canadian Real Estate Investment Trust	2 644	2 740	
853 348	Pure Industrial Real Estate Investment Trust	3 594	4 770	
149 800	Smart Real Estate Investment Trust	4 531	4 837	
		40 873	43 484	**4.7**
Telecommunication Services				
395 192	Rogers Communications Inc., Class B	19 877	20 467	
209 500	TELUS Corp.	8 772	8 956	
		28 649	29 423	**3.2**
Utilities				
236 436	Boralex Inc., Subscription Receipts	3 937	4 506	
416 000	Brookfield Infrastructure Partners LP	16 385	18 687	
199 500	Emera Inc.	9 027	9 055	
335 100	Fortis Inc.	13 865	13 893	
		43 214	46 141	**4.9**
TOTAL CANADIAN EQUITIES		823 516	907 671	**97.0**

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

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND

PHILLIPS, HAGER & NORTH
Investment Management®

December 31, 2016

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
3 450	Baytex Energy Corp. USD	5.125	01-Jun-2021	$ 3 664	$ 4 204	
1 500	MEG Energy Corp. USD	6.500	15-Mar-2021	1 452	1 873	
1 196	Precision Drilling Corp. USD	6.625	15-Nov-2020	1 342	1 638	
3 786	Seven Generations Energy Ltd. USD	8.250	15-May-2020	5 011	5 414	
TOTAL CANADIAN BONDS				11 469	13 129	**1.4**
SHORT-TERM INVESTMENTS‡				6 824	6 824	**0.7**
TOTAL INVESTMENTS				841 809	927 624	**99.1**
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	(161)	–
TOTAL PORTFOLIO				$ 841 809	927 463	**99.1**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					8 131	**0.9**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					$ 935 594	**100.0**

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought CAD 14 419 Sold USD 10 863 @ 1.3273	21-Feb-2017	$ (158)
Bought CAD 191 Sold USD 145 @ 1.3200	21-Feb-2017	(3)
TOTAL FOREIGN EXCHANGE		$ (161)

All counterparties have a credit rating of at least A.

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.80% to 0.92% and mature between January 3, 2017 and January 13, 2017.

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

PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 927 624**	$ 986 357
Cash	**3 346**	661
Due from investment dealers	**3 329**	–
Subscriptions receivable	**70**	18
Dividends receivable, interest accrued and other assets	**1 889**	3 081
TOTAL ASSETS	**936 258**	990 117
LIABILITIES		
Due to investment dealers	**299**	–
Redemptions payable	**92**	5 508
Unrealized loss on foreign exchange contracts	**161**	–
Accounts payable and accrued expenses	**112**	122
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**664**	5 630
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 935 594**	$ 984 487
Investments at cost	**$ 841 809**	$ 1 047 299
NAV		
SERIES A	**$ 4 698**	$ 4 880
ADVISOR SERIES	**$ 1 049**	$ 939
SERIES D	**$ 62 851**	$ 57 305
SERIES F	**$ 1 361**	$ 1 265
SERIES O	**$ 865 635**	$ 920 098
NAV PER UNIT		
SERIES A	**$ 15.61**	$ 13.05
ADVISOR SERIES	**$ 15.61**	$ 13.05
SERIES D	**$ 15.59**	$ 13.04
SERIES F	**$ 15.60**	$ 13.06
SERIES O	**$ 15.45**	$ 12.91

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 28 104**	$ 32 188
Interest for distribution purposes	**834**	220
Other income (loss)	**426**	1 633
Net realized gain (loss) on investments	**25 064**	(42 600)
Net gain (loss) on foreign currencies and other net assets	**(325)**	(15)
Change in unrealized gain (loss) on investments	**146 596**	(53 055)
TOTAL INCOME (LOSS)	**200 699**	(61 629)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**640**	800
Administration fees	**585**	621
Independent Review Committee costs	**2**	3
GST/HST	**109**	127
Transaction costs	**3 059**	4 754
Withholding tax	**–**	33
TOTAL EXPENSES	**4 395**	6 338
INCREASE (DECREASE) IN NAV	**$ 196 304**	$ (67 967)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 871**	$ (485)
ADVISOR SERIES	**$ 171**	$ (108)
SERIES D	**$ 11 797**	$ (5 030)
SERIES F	**$ 202**	$ (87)
SERIES O	**$ 183 263**	$ (62 257)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 2.66**	$ (1.23)
ADVISOR SERIES	**$ 2.73**	$ (1.23)
SERIES D	**$ 2.85**	$ (1.12)
SERIES F	**$ 2.61**	$ (1.07)
SERIES O	**$ 2.96**	$ (0.95)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 196 304**	$ (67 967)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(21 632)**	42 600
Change in unrealized loss (gain) on investments	**(146 596)**	53 055
(Increase) decrease in accrued receivables	**1 192**	(1 162)
Increase (decrease) in accrued payables	**(10)**	(17)
Cost of investments purchased	**(3 387 238)**	(4 637 931)
Proceeds on sales of investments	**3 611 330**	4 396 650
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**253 350**	(214 772)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**53 425**	504 439
Cash paid on redemption of redeemable units	**(302 347)**	(287 589)
Distributions paid to holders of redeemable units	**(1 743)**	(1 873)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (250 665)**	$ 214 977
Net increase (decrease) in cash for the period	**2 685**	205
Cash (bank overdraft), beginning of period	**661**	456
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 3 346**	$ 661
Interest received (paid)	**$ 706**	$ 225
Dividends received, net of withholding taxes	**$ 29 850**	$ 32 621

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 4 880**	$ 6 152	**$ 939**	$ 1 334	**$ 57 305**	$ 75 124	**$ 1 265**	$ 938
INCREASE (DECREASE) IN NAV	**871**	(485)	**171**	(108)	**11 797**	(5 030)	**202**	(87)
Early redemption fees	**–**	–	**–**	–	**1**	–	**–**	–
Proceeds from redeemable units issued	**574**	1 167	**154**	129	**4 382**	3 608	**392**	755
Reinvestments of distributions to holders of redeemable units	**54**	30	**12**	6	**1 239**	752	**19**	12
Redemption of redeemable units	**(1 614)**	(1 949)	**(213)**	(415)	**(10 481)**	(16 316)	**(486)**	(339)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(986)**	(752)	**(47)**	(280)	**(4 859)**	(11 956)	**(75)**	428
Distributions from net income	**(67)**	(35)	**(14)**	(7)	**(1 392)**	(833)	**(31)**	(14)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(67)**	(35)	**(14)**	(7)	**(1 392)**	(833)	**(31)**	(14)
NET INCREASE (DECREASE) IN NAV	**(182)**	(1 272)	**110**	(395)	**5 546**	(17 819)	**96**	327
NAV AT END OF PERIOD	**$ 4 698**	$ 4 880	**$ 1 049**	$ 939	**$ 62 851**	$ 57 305	**$ 1 361**	$ 1 265

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 920 098**	$ 754 281	**$ 984 487**	$ 837 829
INCREASE (DECREASE) IN NAV	**183 263**	(62 257)	**196 304**	(67 967)
Early redemption fees	**–**	–	**1**	–
Proceeds from redeemable units issued	**47 975**	498 722	**53 477**	504 381
Reinvestments of distributions to holders of redeemable units	**26 319**	28 385	**27 643**	29 185
Redemption of redeemable units	**(284 138)**	(268 864)	**(296 932)**	(287 883)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(209 844)**	258 243	**(215 811)**	245 683
Distributions from net income	**(27 882)**	(30 169)	**(29 386)**	(31 058)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(27 882)**	(30 169)	**(29 386)**	(31 058)
NET INCREASE (DECREASE) IN NAV	**(54 463)**	165 817	**(48 893)**	146 658
NAV AT END OF PERIOD	**$ 865 635**	$ 920 098	**$ 935 594**	$ 984 487

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 0.6% (December 31, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**37.2**	46.4
Energy	**19.7**	21.3
Materials	**7.8**	2.3
Industrials	**6.8**	7.8
Consumer Discretionary	**6.6**	5.6
Utilities	**4.9**	2.3
Real Estate	**4.7**	–
Telecommunication Services	**3.2**	3.7
Consumer Staples	**3.1**	6.8
Information Technology	**3.0**	2.3
Cash/Other	**3.0**	1.5
Total	**100.0**	100.0

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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**1.0**	+ or -	0.9
S&P/TSX Capped Income Trust Total Return Index	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**902 237**	**5 434**	**–**	**907 671**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**13 129**	**–**	**13 129**
Short-term investments	**–**	**6 824**	**–**	**6 824**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**(161)**	**–**	**(161)**
Total financial instruments	**902 237**	**25 226**	**–**	**927 463**
% of total portfolio	**97.3**	**2.7**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	969 635	–	–	969 635
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	16 722	–	16 722
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	969 635	16 722	–	986 357
% of total portfolio	98.3	1.7	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.06%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

December 31, 2016

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 2016	December 31 2015
Units held		
Series A	**50**	50
Advisor Series	**99**	98
Series D	**53**	51
Series F	**54**	53
Series O	**58**	56
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, 2016 for the Fund were approximately:

Capital losses	17 395
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**374**	429
Issued number of units	**40**	83
Reinvested number of units	**4**	2
Redeemed number of units	**(117)**	(140)
Ending number of units	**301**	374
Advisor Series		
Opening units	**72**	93
Issued number of units	**10**	9
Reinvested number of units	**1**	–
Redeemed number of units	**(16)**	(30)
Ending number of units	**67**	72
Series D		
Opening units	**4 395**	5 251
Issued number of units	**304**	259
Reinvested number of units	**85**	53
Redeemed number of units	**(751)**	(1 168)
Ending number of units	**4 033**	4 395
Series F		
Opening units	**97**	65
Issued number of units	**27**	55
Reinvested number of units	**1**	1
Redeemed number of units	**(38)**	(24)
Ending number of units	**87**	97
Series O		
Opening units	**71 280**	52 761
Issued number of units	**3 695**	35 451
Reinvested number of units	**1 833**	2 075
Redeemed number of units	**(20 778)**	(19 007)
Ending number of units	**56 030**	71 280

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**3 059**	**100**	4 754	100
Related-party brokerage commissions*	**237**	**8**	212	4
Commission arrangements†	**338**	**11**	1 271	27

* See note 7 in the generic notes.
† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Investments by other related investment funds (%) (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 2016	December 31 2015
RBC Managed Payout Solution	**33.0**	34.5
RBC Managed Payout Solution – Enhanced	**14.5**	14.4
RBC Managed Payout Solution – Enhanced Plus	**34.9**	34.9
Total	**82.4**	83.8

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
11 370	Aritzia Inc.	$ 182	$ 199	
19 050	BRP Inc.	352	540	
5 500	Cineplex Inc.	273	282	
5 900	Dollarama Inc.	308	580	
23 370	Gildan Activewear Inc., Class A	816	797	
29 300	goeasy Ltd.	595	715	
26 700	Great Canadian Gaming Corp.	384	667	
24 400	Leon's Furniture Ltd.	349	441	
32 698	Quebecor Inc., Class B	923	1 220	
5 916	Restaurant Brands International Inc.	254	378	
27 500	Sleep Country Canada Holdings Inc.	494	791	
		4 930	6 610	**10.6**
Consumer Staples				
29 000	Alimentation Couche-Tard Inc.	1 153	1 766	
4 944	Empire Co. Ltd., Class A	112	78	
14 800	Maple Leaf Foods Inc.	267	416	
		1 532	2 260	**3.6**
Energy				
20 000	ARC Resources Ltd.	440	462	
24 400	Canadian Natural Resources Ltd.	798	1 044	
40 200	Cenovus Energy Inc.	811	817	
68 300	Crescent Point Energy Corp.	1 209	1 247	
43 900	Enbridge Inc.	2 097	2 481	
8 000	Keyera Corp.	299	324	
17 900	MEG Energy Corp.	176	165	
5 487	Parkland Fuel Corp.*, Subscription Receipts	134	134	
24 800	Pembina Pipeline Corp.	819	1 041	
19 064	PrairieSky Royalty Ltd.	501	609	
33 300	Raging River Exploration Inc.	262	352	
77 500	Secure Energy Services Inc.	737	908	
24 000	Seven Generations Energy Ltd.	522	751	
15 900	Tourmaline Oil Corp.	472	571	
19 021	Tourmaline Oil Corp.*, Subscription Receipts Restricted March 10, 2017	661	667	
193 400	Trinidad Drilling Ltd.	1 319	646	
		11 257	12 219	**19.6**
Financials				
40 600	Bank of Nova Scotia	2 337	3 035	
40 600	Brookfield Asset Management Inc., Class A	1 444	1 799	
108 200	Canaccord Genuity Group Inc.	542	516	
23 000	CI Financial Corp.	697	664	
67 200	ECN Capital Corp.	176	222	
147 900	Element Fleet Management Corp.	1 498	1 843	
Financials (cont.)				
34 600	Home Capital Group Inc.	$ 1 005	$ 1 084	
74 600	Manulife Financial Corporation	1 502	1 784	
11 500	National Bank of Canada	462	627	
42 900	Royal Bank of Canada†	2 678	3 898	
13 500	Sun Life Financial Inc.	572	696	
88 500	The Westaim Corp.	271	248	
55 800	Toronto-Dominion Bank	2 300	3 695	
		15 484	20 111	**32.2**
Industrials				
77 700	Badger Daylighting Ltd.	1 625	2 494	
7 900	Boyd Group Income Fund	429	676	
8 800	Canadian National Railway Co.	563	795	
2 800	Canadian Pacific Railway Ltd.	579	536	
22 900	Richelieu Hardware Ltd.	406	585	
16 730	Ritchie Bros. Auctioneers Inc.	561	762	
33 700	Stantec Inc.	1 076	1 143	
8 400	Toromont Industries Ltd.	331	356	
10 200	Waste Connections Inc.	992	1 074	
		6 562	8 421	**13.5**
Information Technology				
12 800	CGI Group Inc., Class A	601	825	
500	Constellation Software Inc.	272	305	
25 200	DH Corp.	810	561	
8 400	Kinaxis Inc.	232	525	
8 218	Open Text Corp.	561	681	
		2 476	2 897	**4.7**
Materials				
7 600	Agnico Eagle Mines Ltd.	297	429	
4 600	Agrium Inc.	578	621	
3 400	CCL Industries, Class B	527	897	
28 500	First Quantum Minerals Ltd.	355	380	
8 100	Franco-Nevada Corp.	535	650	
21 800	Goldcorp Inc.	361	399	
178 300	Polaris Materials Corp.	265	216	
20 900	Potash Corporation of Saskatchewan Inc.	488	508	
12 200	Stella-Jones Inc.	459	532	
29 570	Turquoise Hill Resources Ltd.	190	127	
		4 055	4 759	**7.6**
Real Estate				
2 100	Boardwalk Real Estate Investment Trust	91	102	
16 222	Brookfield Property Partners LP	469	476	
6 900	FirstService Corp.	337	440	
		897	1 018	**1.6**

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

PHILLIPS, HAGER & NORTH VINTAGE FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
5 200	Rogers Communications Inc., Class B	$ 224	$ 269	
9 900	TELUS Corp.	321	423	
		545	692	**1.1**
Utilities				
20 350	Brookfield Infrastructure Partners LP	816	914	
15 600	Fortis Inc.	632	647	
		1 448	1 561	**2.5**
TOTAL CANADIAN EQUITIES		49 186	60 548	**97.0**
SHORT-TERM INVESTMENTS‡		1 475	1 475	**2.4**
TOTAL INVESTMENTS		$ 50 661	62 023	**99.4**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			368	**0.6**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 62 391	**100.0**

* Illiquid security.

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

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.80% and mature between January 3, 2017 and January 4, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 62 023**	$ 52 150
Cash	**98**	271
Due from investment dealers	**200**	–
Subscriptions receivable	**157**	19
Dividends receivable, interest accrued and other assets	**93**	115
TOTAL ASSETS	**62 571**	52 555
LIABILITIES		
Due to investment dealers	**38**	–
Redemptions payable	**97**	10
Accounts payable and accrued expenses	**45**	47
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**180**	57
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 62 391**	$ 52 498
Investments at cost	**$ 50 661**	$ 50 703
NAV		
SERIES A	**$ 1 702**	$ 1 781
ADVISOR SERIES	**$ 797**	$ 453
SERIES D	**$ 34 976**	$ 31 096
SERIES F	**$ 987**	$ 2 585
SERIES O	**$ 23 929**	$ 16 583
NAV PER UNIT		
SERIES A	**$ 29.64**	$ 24.41
ADVISOR SERIES	**$ 29.68**	$ 24.44
SERIES D	**$ 30.83**	$ 25.37
SERIES F	**$ 32.05**	$ 26.37
SERIES O	**$ 33.52**	$ 27.56

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 1 370**	$ 1 336
Interest for distribution purposes	**6**	7
Other income (loss)	**9**	25
Net realized gain (loss) on investments	**1 320**	644
Net gain (loss) on foreign currencies and other net assets	**–**	4
Change in unrealized gain (loss) on investments	**9 915**	(6 628)
TOTAL INCOME (LOSS)	**12 620**	(4 612)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**435**	522
Administration fees	**48**	48
Independent Review Committee costs	**2**	3
GST/HST	**37**	44
Transaction costs	**61**	56
Expenses reimbursed by manager	**–**	(3)
TOTAL EXPENSES	**583**	670
INCREASE (DECREASE) IN NAV	**$ 12 037**	$ (5 282)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 325**	$ (218)
ADVISOR SERIES	**$ 128**	$ (63)
SERIES D	**$ 6 455**	$ (3 392)
SERIES F	**$ 368**	$ (319)
SERIES O	**$ 4 761**	$ (1 290)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 5.07**	$ (3.00)
ADVISOR SERIES	**$ 5.25**	$ (2.99)
SERIES D	**$ 5.62**	$ (2.89)
SERIES F	**$ 5.59**	$ (2.93)
SERIES O	**$ 6.86**	$ (2.72)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 12 037**	$ (5 282)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(1 257)**	(644)
Change in unrealized loss (gain) on investments	**(9 915)**	6 628
(Increase) decrease in accrued receivables	**22**	(23)
Increase (decrease) in accrued payables	**(2)**	(8)
Cost of investments purchased	**(130 485)**	(137 701)
Proceeds on sales of investments	**131 622**	129 840
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**2 022**	(7 190)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**9 999**	16 517
Cash paid on redemption of redeemable units	**(11 835)**	(9 068)
Distributions paid to holders of redeemable units	**(359)**	(227)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (2 195)**	$ 7 222
Net increase (decrease) in cash for the period	**(173)**	32
Cash (bank overdraft), beginning of period	**271**	239
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 98**	$ 271
Interest received (paid)	**$ 6**	$ 7
Dividends received, net of withholding taxes	**$ 1 397**	$ 1 342

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 1 781**	$ 2 160	**$ 453**	$ 500	**$ 31 096**	$ 37 446	**$ 2 585**	$ 1 685
INCREASE (DECREASE) IN NAV	**325**	(218)	**128**	(63)	**6 455**	(3 392)	**368**	(319)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**340**	558	**300**	175	**2 615**	3 278	**669**	2 019
Reinvestments of distributions to holders of redeemable units	**–**	–	**–**	–	**260**	196	**4**	18
Redemption of redeemable units	**(744)**	(719)	**(84)**	(159)	**(5 182)**	(6 230)	**(2 629)**	(795)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(404)**	(161)	**216**	16	**(2 307)**	(2 756)	**(1 956)**	1 242
Distributions from net income	**–**	–	**–**	–	**(268)**	(202)	**(10)**	(23)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**–**	–	**–**	–	**(268)**	(202)	**(10)**	(23)
NET INCREASE (DECREASE) IN NAV	**(79)**	(379)	**344**	(47)	**3 880**	(6 350)	**(1 598)**	900
NAV AT END OF PERIOD	**$ 1 702**	$ 1 781	**$ 797**	$ 453	**$ 34 976**	$ 31 096	**$ 987**	$ 2 585

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 16 583**	$ 8 741	**$ 52 498**	$ 50 532
INCREASE (DECREASE) IN NAV	**4 761**	(1 290)	**12 037**	(5 282)
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**6 213**	10 442	**10 137**	16 472
Reinvestments of distributions to holders of redeemable units	**132**	105	**396**	319
Redemption of redeemable units	**(3 283)**	(1 094)	**(11 922)**	(8 997)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**3 062**	9 453	**(1 389)**	7 794
Distributions from net income	**(477)**	(321)	**(755)**	(546)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(477)**	(321)	**(755)**	(546)
NET INCREASE (DECREASE) IN NAV	**7 346**	7 842	**9 893**	1 966
NAV AT END OF PERIOD	**$ 23 929**	$ 16 583	**$ 62 391**	$ 52 498

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 1.3% (December 31, 2015 – 0.0%) 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:

Investment mix	**December 31 2016**	December 31 2015
Financials	**32.2**	38.4
Energy	**19.6**	19.7
Industrials	**13.5**	9.9
Consumer Discretionary	**10.6**	11.3
Materials	**7.6**	7.0
Information Technology	**4.7**	4.6
Consumer Staples	**3.6**	3.2
Utilities	**2.5**	0.5
Real Estate	**1.6**	–
Telecommunication Services	**1.1**	1.7
Health Care	**–**	2.4
Cash/Other	**3.0**	1.3
Total	**100.0**	100.0

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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**59 747**	**801**	**–**	**60 548**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**1 475**	**–**	**1 475**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**59 747**	**2 276**	**–**	**62 023**
% of total portfolio	**96.3**	**3.7**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	51 825	–	–	51 825
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	325	–	325
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	51 825	325	–	52 150
% of total portfolio	99.4	0.6	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.85%	0.10%
Advisor Series	1.85%	0.10%
Series D	1.10%	0.10%
Series F	0.85%	0.10%
Series O	n/a†	0.06%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.85% from 2.00%; for Series D units were reduced to 1.10% from 1.25%; and for Series F units were reduced to 0.85% from 1.00%.

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

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

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 2016	December 31 2015
Units held		
Series A	**28**	28
Advisor Series	**55**	55
Series F	**28**	28
Series O	**29**	28
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, 2016 for the Fund were approximately:

Capital losses	30 096
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**73**	79
Issued number of units	**12**	21
Reinvested number of units	**–**	–
Redeemed number of units	**(28)**	(27)
Ending number of units	**57**	73
Advisor Series		
Opening units	**19**	18
Issued number of units	**11**	7
Reinvested number of units	**–**	–
Redeemed number of units	**(3)**	(6)
Ending number of units	**27**	19
Series D		
Opening units	**1 226**	1 326
Issued number of units	**90**	114
Reinvested number of units	**8**	8
Redeemed number of units	**(190)**	(222)
Ending number of units	**1 134**	1 226
Series F		
Opening units	**98**	57
Issued number of units	**25**	68
Reinvested number of units	**–**	1
Redeemed number of units	**(92)**	(28)
Ending number of units	**31**	98
Series O		
Opening units	**602**	285
Issued number of units	**221**	350
Reinvested number of units	**4**	4
Redeemed number of units	**(113)**	(37)
Ending number of units	**714**	602

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**61**	**100**	56	100
Related-party brokerage commissions*	**6**	**10**	2	4
Commission arrangements†	**6**	**10**	5	9

* See note 7 in the generic notes.

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

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
25 000	Comcast Corp., Class A	$ 1 923	$ 2 321	
23 700	Delphi Automotive Plc.	1 991	2 143	
26 328	McDonald's Corp.	3 134	4 304	
		7 048	8 768	**4.4**
Consumer Staples				
65 280	Altria Group Inc.	4 642	5 928	
48 600	CVS Health Corp.	6 126	5 151	
40 175	PepsiCo Inc.	2 811	5 646	
41 600	Philip Morris International Inc.	4 969	5 112	
		18 548	21 837	**10.8**
Energy				
42 700	Chevron Corp.	4 997	6 753	
59 800	Occidental Petroleum Corp.	5 718	5 719	
22 000	ONEOK, Inc.	1 432	1 695	
18 000	Phillips 66 Company	1 989	2 088	
		14 136	16 255	**8.1**
Financials				
162 700	Bank of America Corp.	3 144	4 838	
71 000	Citizens Financial Group Inc.	2 244	3 397	
59 989	JPMorgan Chase & Co.	3 583	6 954	
128 000	KeyCorp	2 103	3 140	
28 000	MetLife Inc.	2 015	2 026	
22 000	Morgan Stanley	1 203	1 248	
30 000	Prudential Financial Inc.	3 267	4 192	
48 000	Suntrust Banks Inc.	2 637	3 535	
29 148	Wells Fargo & Company	1 203	2 157	
		21 399	31 487	**15.6**
Health Care				
47 800	Cardinal Health Inc.	5 089	4 619	
55 988	Johnson & Johnson	3 979	8 664	
15 800	McKesson Corp.	2 843	2 980	
39 600	Medtronic Plc.	3 821	3 789	
47 918	Merck & Co. Inc.	3 370	3 788	
117 100	Pfizer Inc.	5 047	5 109	
33 200	UnitedHealth Group Incorporated	5 227	7 138	
		29 376	36 087	**17.9**
Industrials				
17 400	Boeing Co.	3 189	3 639	
29 300	Eaton Corp Plc.	2 478	2 640	
70 967	General Electric Company	2 584	3 014	
35 600	Nielsen Holdings Plc.	2 148	2 005	
6 600	Northrop Grumman Corp.	2 036	2 062	
20 200	Union Pacific Corp.	2 358	2 813	
		14 793	16 173	**8.0**
Information Technology				
51 351	Apple Inc.	$ 6 551	$ 7 988	
114 452	Cisco Systems Inc.	3 828	4 648	
96 172	Intel Corp.	3 668	4 687	
18 600	International Business Machines	3 870	4 145	
100 320	Microsoft Corp.	4 329	8 370	
72 000	Oracle Corporation	3 805	3 717	
10 200	Texas Instruments Inc.	994	999	
		27 045	34 554	**17.2**
Materials				
44 095	Dow Chemical Company	2 783	3 388	
16 000	LyondellBasell Industries N.V.	1 688	1 843	
		4 471	5 231	**2.6**
Real Estate				
70 788	CatchMark Timber Trust Inc. Real Estate Investment Trust	997	1 070	
24 200	Crown Castle International Corp. Real Estate Investment Trust	2 978	2 819	
28 000	ProLogis Inc. Trust	1 943	1 985	
38 112	STORE Capital Corp. Real Estate Investment Trust	1 010	1 264	
		6 928	7 138	**3.6**
Telecommunication Services				
89 283	AT&T Inc.	3 664	5 100	
30 280	Verizon Communications Inc.	1 963	2 171	
		5 627	7 271	**3.6**
Utilities				
24 000	American Electric Power	2 014	2 029	
23 000	NextEra Energy Inc.	3 089	3 690	
46 000	PG&E Corporation	3 416	3 755	
40 000	PPL Corporation	1 740	1 829	
		10 259	11 303	**5.6**
TOTAL UNITED STATES EQUITIES		159 630	196 104	**97.4**
SHORT-TERM INVESTMENTS*		2 777	2 838	**1.4**
TOTAL INVESTMENTS		$ 162 407	198 942	**98.8**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			2 378	**1.2**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 201 320	**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 0.61% to 0.63% and mature between January 17, 2017 and January 19, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 198 942**	$ 201 234
Cash	**2 229**	58
Subscriptions receivable	**82**	24
Dividends receivable, interest accrued and other assets	**365**	435
TOTAL ASSETS	**201 618**	201 751
LIABILITIES		
Redemptions payable	**180**	154
Accounts payable and accrued expenses	**118**	131
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**298**	285
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 201 320**	$ 201 466
Investments at cost	**$ 162 407**	$ 157 093
NAV		
SERIES A	**$ 13 461**	$ 12 974
ADVISOR SERIES	**$ 11 523**	$ 12 585
SERIES D	**$ 78 706**	$ 78 132
SERIES F	**$ 10 012**	$ 7 349
SERIES O	**$ 87 618**	$ 90 426
NAV PER UNIT		
SERIES A	**$ 14.30**	$ 13.52
ADVISOR SERIES	**$ 14.30**	$ 13.52
SERIES D	**$ 14.20**	$ 13.43
SERIES F	**$ 14.15**	$ 13.40
SERIES O	**$ 14.21**	$ 13.44

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 5 604**	$ 7 326
Interest for distribution purposes	**41**	15
Net realized gain (loss) on investments	**22 535**	21 355
Net gain (loss) on foreign currencies and other net assets	**(160)**	134
Change in unrealized gain (loss) on investments	**(7 606)**	875
TOTAL INCOME (LOSS)	**20 414**	29 705
EXPENSES (see notes – Fund Specific Information)		
Management fees	**1 132**	1 233
Administration fees	**166**	170
Independent Review Committee costs	**2**	3
GST/HST	**110**	120
Transaction costs	**144**	148
Withholding tax	**781**	894
TOTAL EXPENSES	**2 335**	2 568
INCREASE (DECREASE) IN NAV	**$ 18 079**	$ 27 137
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 1 015**	$ 1 506
ADVISOR SERIES	**$ 836**	$ 1 477
SERIES D	**$ 6 720**	$ 9 707
SERIES F	**$ 904**	$ 813
SERIES O	**$ 8 604**	$ 13 634
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 1.11**	$ 1.58
ADVISOR SERIES	**$ 1.03**	$ 1.58
SERIES D	**$ 1.22**	$ 1.69
SERIES F	**$ 1.43**	$ 1.72
SERIES O	**$ 1.36**	$ 1.83

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 18 079**	$ 27 137
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(22 377)**	(21 355)
Change in unrealized loss (gain) on investments	**7 606**	(875)
(Increase) decrease in accrued receivables	**70**	(109)
Increase (decrease) in accrued payables	**(13)**	6
Cost of investments purchased	**(490 098)**	(478 684)
Proceeds on sales of investments	**507 161**	489 485
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**20 428**	15 605
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**16 022**	26 339
Cash paid on redemption of redeemable units	**(30 868)**	(39 856)
Distributions paid to holders of redeemable units	**(3 411)**	(2 039)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (18 257)**	$ (15 556)
Net increase (decrease) in cash for the period	**2 171**	49
Cash (bank overdraft), beginning of period	**58**	9
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 2 229**	$ 58
Interest received (paid)	**$ 41**	$ 15
Dividends received, net of withholding taxes	**$ 4 894**	$ 6 322

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 12 974**	$ 11 575	**$ 12 585**	$ 11 345	**$ 78 132**	$ 68 368	**$ 7 349**	$ 4 597
INCREASE (DECREASE) IN NAV	**1 015**	1 506	**836**	1 477	**6 720**	9 707	**904**	813
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**2 523**	2 262	**1 655**	2 652	**5 983**	13 209	**3 185**	3 206
Reinvestments of distributions to holders of redeemable units	**305**	133	**276**	132	**2 380**	1 313	**241**	99
Redemption of redeemable units	**(3 012)**	(2 360)	**(3 533)**	(2 882)	**(11 742)**	(12 958)	**(1 281)**	(1 205)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(184)**	35	**(1 602)**	(98)	**(3 379)**	1 564	**2 145**	2 100
Distributions from net income	**(72)**	(142)	**(62)**	(139)	**(1 128)**	(1 507)	**(176)**	(161)
Distributions from net gains	**(272)**	–	**(234)**	–	**(1 639)**	–	**(210)**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(344)**	(142)	**(296)**	(139)	**(2 767)**	(1 507)	**(386)**	(161)
NET INCREASE (DECREASE) IN NAV	**487**	1 399	**(1 062)**	1 240	**574**	9 764	**2 663**	2 752
NAV AT END OF PERIOD	**$ 13 461**	$ 12 974	**$ 11 523**	$ 12 585	**$ 78 706**	$ 78 132	**$ 10 012**	$ 7 349

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 90 426**	$ 94 196	**$ 201 466**	$ 190 081
INCREASE (DECREASE) IN NAV	**8 604**	13 634	**18 079**	27 137
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**2 734**	4 830	**16 080**	26 159
Reinvestments of distributions to holders of redeemable units	**1 202**	1 066	**4 404**	2 743
Redemption of redeemable units	**(11 326)**	(20 467)	**(30 894)**	(39 872)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(7 390)**	(14 571)	**(10 410)**	(10 970)
Distributions from net income	**(2 133)**	(2 833)	**(3 571)**	(4 782)
Distributions from net gains	**(1 889)**	–	**(4 244)**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(4 022)**	(2 833)	**(7 815)**	(4 782)
NET INCREASE (DECREASE) IN NAV	**(2 808)**	(3 770)	**(146)**	11 385
NAV AT END OF PERIOD	**$ 87 618**	$ 90 426	**$ 201 320**	$ 201 466

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Health Care	**17.9**	17.6
Information Technology	**17.2**	16.5
Financials	**15.6**	17.2
Consumer Staples	**10.8**	15.1
Energy	**8.1**	5.0
Industrials	**8.0**	6.3
Utilities	**5.6**	6.9
Consumer Discretionary	**4.4**	6.6
Telecommunication Services	**3.6**	4.3
Real Estate	**3.6**	–
Materials	**2.6**	1.0
Cash/Other	**2.6**	3.5
Total	**100.0**	100.0

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 2016**	December 31 2015
United States dollar	**99.9**	99.9
Total	**99.9**	99.9

As at December 31, 2016, 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, 2015 – 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 2016		December 31 2015	
S&P 500 Total Return Index (CAD)	**+ or -**	**0.9**	+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**196 104**	**–**	**–**	**196 104**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**2 838**	**–**	**2 838**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**196 104**	**2 838**	**–**	**198 942**
% of total portfolio	**98.6**	**1.4**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	194 315	–	–	194 315
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	6 919	–	6 919
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	194 315	6 919	–	201 234
% of total portfolio	96.6	3.4	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.07%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.
† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**43**	79
Advisor Series	**160**	156
Series F	**88**	85
Series O	**93**	89
Value of all units	**5**	6

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**959**	958
Issued number of units	**185**	175
Reinvested number of units	**21**	10
Redeemed number of units	**(224)**	(184)
Ending number of units	**941**	959
Advisor Series		
Opening units	**931**	939
Issued number of units	**120**	206
Reinvested number of units	**19**	10
Redeemed number of units	**(264)**	(224)
Ending number of units	**806**	931
Series D		
Opening units	**5 816**	5 694
Issued number of units	**443**	1 034
Reinvested number of units	**167**	99
Redeemed number of units	**(882)**	(1 011)
Ending number of units	**5 544**	5 816
Series F		
Opening units	**548**	384
Issued number of units	**239**	251
Reinvested number of units	**17**	7
Redeemed number of units	**(96)**	(94)
Ending number of units	**708**	548
Series O		
Opening units	**6 729**	7 837
Issued number of units	**198**	377
Reinvested number of units	**84**	80
Redeemed number of units	**(844)**	(1 565)
Ending number of units	**6 167**	6 729

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**144**	**100**	148	100
Related-party brokerage commissions*	**25**	**17**	38	26
Commission arrangements†	**26**	**18**	45	30

* 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.

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
EQUITIES				
SWITZERLAND EQUITIES				
Consumer Discretionary				
37 088	Garmin Ltd.	$ 2 424	$ 2 415	
TOTAL SWITZERLAND EQUITIES		2 424	2 415	**0.1**
UNITED KINGDOM EQUITIES				
Consumer Discretionary				
29 954	International Game Technology Plc.	1 023	1 027	
TOTAL UNITED KINGDOM EQUITIES		1 023	1 027	–
UNITED STATES EQUITIES				
Consumer Discretionary				
56 322	Amazon.com, Inc.	45 550	56 731	
12 560	Ascena Retail Group Inc.	152	104	
3 313	Bed Bath & Beyond Inc.	253	181	
268 827	Best Buy Co. Inc.	13 918	15 401	
13 136	Big Lots Inc.	823	886	
100 996	Brunswick Corp.	5 951	7 399	
28 465	Burlington Stores Inc.	2 883	3 240	
100 900	Carriage Services Inc.	2 934	3 880	
5 610	Cavco Industries Inc.	528	752	
187 509	CBS Corp.	12 820	16 023	
19 192	Charter Communications Inc.	5 937	7 419	
101 960	Coach Inc.	5 104	4 794	
183 000	Comcast Corp., Class A	15 406	16 989	
17 960	Core-Mark Holding Co. Inc.	493	1 039	
276 608	D.R. Horton Inc.	11 054	10 150	
19 930	Dana Inc.	435	508	
72 495	Darden Restaurants Inc.	6 131	7 078	
19 060	Destination Maternity Corp.	449	132	
331 890	Destination XL Group Inc.	1 457	1 894	
32 780	Dick's Sporting Goods Inc.	1 708	2 337	
39 180	Dollar Tree Inc.	3 449	4 060	
24 196	Domino's Pizza Inc.	4 825	5 173	
32 481	Drew Industries Inc.	1 250	4 699	
54 926	Foot Locker Inc.	4 552	5 228	
667 428	Ford Motor Company	11 316	10 870	
88 715	Fox Factory Holding Corp.	1 579	3 305	
48 421	Gannett Co. Inc.	979	631	
240 635	General Motors Co.	10 101	11 256	
65 724	Goodyear Tire & Rubber Co.	2 660	2 724	
59 340	Grand Canyon Education Inc.	2 710	4 657	
102 090	Gray Television Inc.	1 431	1 487	
15 920	Helen of Troy Ltd.	1 250	1 805	
327 733	Home Depot Inc.	49 360	59 026	
317 570	ILG Inc.	6 083	7 747	
100 070	Interpublic Group of Companies Inc.	2 953	3 145	
80 311	Kohl's Corp.	5 105	5 325	
42 200	Kona Grill Inc.	886	711	
44 990	L Brands Inc.	4 281	3 977	
147 547	Las Vegas Sands Corp.	11 486	10 581	
54 881	Lear Corp.	7 904	9 759	
101 450	Lennar Corp.	5 699	5 848	
179 174	Libbey Inc.	$ 5 172	$ 4 681	
5 000	Liberty Interactive Corp.	124	134	
25 508	Lithia Motors Inc.	2 923	3 316	
89 750	LKQ Corp.	2 291	3 693	
33 100	Lowe's Companies	3 160	3 161	
192 675	Macy's Inc.	9 678	9 264	
81 230	Malibu Boats Inc.	1 771	2 081	
44 836	Mattel Inc.	1 840	1 658	
115 609	McDonald's Corp.	18 360	18 899	
238 660	Michael Kors Holdings Ltd.	16 029	13 772	
21 450	Mohawk Industries Inc.	5 287	5 752	
34 630	Motorcar Parts of America Inc.	1 451	1 252	
13 200	Netflix Inc.	1 840	2 194	
34 010	New Media Investment Group Inc.	792	730	
147 873	Newell Brands Inc.	9 616	8 865	
86 800	Nike Inc.	5 982	5 924	
67 724	Nordstrom Inc.	4 320	4 358	
15 021	Omnicom Group	1 633	1 717	
10 791	O'Reilly Automotive Inc.	3 148	4 034	
8 510	Panera Bread Company	1 573	2 343	
39 820	Performance Sports Group Ltd.	795	80	
138 864	Regal Entertainment Group, Class A	4 019	3 841	
162 607	Ross Stores Inc.	10 118	14 322	
24 800	Scripps Networks Interactive Inc.	2 057	2 376	
42 750	Signet Jewelers Ltd.	5 078	5 413	
3 395	Six Flags Entertainment Corp.	245	273	
161 994	Smith & Wesson Holding Corp.	3 144	4 585	
130 600	Starbucks Corp.	9 067	9 735	
71 396	Steven Madden Ltd.	2 557	3 427	
94 378	Tandy Leather Factory Inc.	1 007	1 026	
78 460	Target Corporation	7 658	7 613	
59 720	Taylor Morrison Home Corp.	1 250	1 544	
5 800	Tesla Motors Inc.	1 562	1 664	
10 376	The Children's Place Inc.	1 047	1 406	
73 419	The Michaels Cos Inc.	2 363	2 016	
5 470	The Priceline Group Inc.	9 853	10 773	
122 500	The Walt Disney Company	15 881	17 152	
9 633	Thor Industries Inc.	1 039	1 294	
109 490	Time Warner Inc.	10 715	14 209	
34 500	TJX Companies Inc.	3 019	3 482	
244 801	Toll Brothers Inc.	9 056	10 189	
45 920	Tractor Supply Co.	3 275	4 675	
98 140	TRI Pointe Homes Inc.	1 610	1 513	
56 449	Twenty-First Century Fox Inc.	1 965	2 125	
8 168	Ulta Salon, Cosmetics & Fragrance, Inc.	2 832	2 796	
47 758	Under Armour Inc.	60	1 614	
47 420	Under Armour Inc., Class A	2 271	1 851	
27 820	Unifi Inc.	1 217	1 219	
101 919	Universal Electronics Inc.	4 327	8 833	
5 500	Urban Outfitters Inc.	260	210	
41 170	V.F. Corporation	3 408	2 949	
35 179	Vail Resorts Inc.	7 357	7 619	

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Consumer Discretionary (cont.)				
5 220	Whirlpool Corp.	$ 1 139	$ 1 274	
3 796	Wynn Resorts Ltd.	433	441	
21 500	Yum! Brands, Inc.	2 166	1 828	
200 008	Zagg Inc.	1 746	1 907	
		506 431	574 053	**12.2**
Consumer Staples				
530 896	Altria Group Inc.	38 962	48 211	
14 121	Archer Daniels Midland Co.	836	866	
86 963	Blue Buffalo Pet Products Inc.	2 749	2 807	
20 360	Casey's General Stores Inc.	2 974	3 250	
59 770	Church & Dwight Co. Inc.	2 176	3 546	
166 149	Conagra Brands Inc.	9 296	8 823	
17 700	Constellation Brands Inc.	3 721	3 645	
25 900	Costco Wholesale Corp.	5 698	5 568	
165 585	CVS Health Corp.	17 429	17 551	
84 839	Dean Foods Co.	2 131	2 481	
25 900	Estée Lauder Companies Inc., Class A	2 671	2 660	
39 500	General Mills Inc.	3 349	3 276	
41 438	Herbalife Ltd.	2 860	2 678	
70 621	Ingredion Inc.	9 914	11 852	
15 320	John B. Sanfilippo & Son Inc.	1 006	1 449	
24 222	Kimberly-Clark Corp.	3 911	3 711	
40 563	Lamb Weston Holdings Inc.	1 729	2 061	
48 650	Landec Corp.	758	901	
27 530	McCormick & Co. Inc.	2 050	3 450	
179 170	Mondelez International Inc.	10 835	10 664	
43 500	Monster Beverage Corp.	2 569	2 590	
11 118	Nu Skin Enterprises Inc.	697	713	
148 960	PepsiCo Inc.	17 837	20 935	
288 797	Philip Morris International Inc.	35 729	35 485	
170 808	Pilgrim's Pride Corp.	4 588	4 355	
92 110	Reynolds American Inc.	6 247	6 931	
29 344	Sanderson Farms Inc.	3 524	3 713	
30 192	Spectrum Brands Holdings Inc.	5 075	4 961	
229 043	Sysco Corp.	15 781	17 028	
174 500	The Coca-Cola Co.	9 124	9 714	
24 628	The Kraft Heinz Co.	2 652	2 888	
105 900	The Kroger Co.	4 724	4 909	
301 132	The Procter & Gamble Co.	32 717	34 041	
39 040	Treehouse Foods Inc.	2 839	3 784	
486 051	Tyson Foods Inc.	42 498	40 252	
52 110	United Natural Foods Inc.	3 372	3 339	
6 456	Universal Corp.	492	553	
25 800	Walgreens Boots Alliance Inc.	2 889	2 868	
463 231	Wal-Mart Stores, Inc.	41 251	42 999	
		359 660	381 508	**8.1**
Energy				
109 170	Anadarko Petroleum Corp.	9 496	10 221	
88 411	Apache Corp.	6 864	7 536	
403 134	Callon Petroleum Co.	6 808	8 319	
121 084	Chevron Corp.	15 409	19 148	
44 290	Concho Resources Inc.	6 528	7 885	
207 245	ConocoPhillips	13 095	13 952	
9 430	Continental Resources Inc.	584	653	

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
11 620	Core Laboratories N.V.	$ 1 603	$ 1 873	
40 460	Delek US Holdings Inc.	787	1 308	
62 700	EOG Resources Inc.	7 011	8 511	
261 483	EP Energy Corp.	2 276	2 300	
487 696	Exxon Mobil Corp.	51 933	59 103	
2 565	FMC Technologies Inc.	123	122	
94 780	Gulfport Energy Corp.	3 838	2 754	
37 160	Helmerich & Payne	2 654	3 863	
471 540	Marathon Oil Corp.	10 405	10 959	
36 200	Marathon Petroleum Corp.	2 329	2 448	
97 912	Murphy Oil Corp.	4 056	4 092	
84 079	Newfield Exploration Company	4 382	4 572	
240 504	Noble Corporation plc	3 945	1 912	
31 530	Noble Energy Inc.	1 512	1 612	
67 507	Occidental Petroleum Corp.	6 515	6 456	
44 960	Oceaneering International Inc.	2 388	1 703	
75 572	ONEOK, Inc.	4 993	5 825	
126 017	Parsley Energy Inc.	4 200	5 960	
54 660	Pioneer Natural Resources Co.	11 229	13 219	
114 746	QEP Resources Inc.	2 611	2 836	
169 305	Range Resources Corp.	8 115	7 811	
268 438	Ring Energy Inc.	4 252	4 673	
71 660	RSP Permian Inc.	2 490	4 292	
355 919	Southwestern Energy Co.	5 588	5 171	
234 148	Synergy Resources Corp.	2 206	2 801	
41 070	Targa Resources Corp.	2 604	3 092	
87 869	Tesoro Petroleum Corp.	9 461	10 317	
110 963	Transocean Ltd.	1 690	2 196	
24 646	US Silica Holdings Inc.	1 439	1 876	
343 440	Valero Energy Corp.	26 381	31 515	
287 652	Whiting Petroleum Corp.	3 457	4 642	
		255 257	287 528	**6.1**
Financials				
60 922	Affiliated Managers Group Inc.	13 423	11 887	
110 271	Aflac Inc.	10 122	10 305	
91 411	Allstate Corp.	6 582	9 097	
241 372	Ally Financial Inc.	6 376	6 164	
22 590	American Financial Group Inc.	1 623	2 675	
179 388	American International Group Inc.	13 376	15 734	
2 440	American National Insurance Co.	380	408	
94 351	Amerisafe Inc.	3 985	7 899	
606 440	AmTrust Financial Services Inc.	20 615	22 294	
74 201	Aon Plc.	11 076	11 113	
64 769	Assured Guaranty Ltd.	2 367	3 289	
9 700	Bancfirst Corp.	623	1 212	
1 983 869	Bank of America Corp.	42 104	58 986	
14 856	Bank of Hawaii Corp.	1 698	1 769	
37 456	Berkshire Hathaway Inc., Class B	7 110	8 199	
21 380	BlackRock Inc.	8 924	10 930	
61 990	Brown & Brown Inc.	2 122	3 735	
50 680	Capital Bank Financial Corp.	1 988	2 671	
92 840	Capital One Financial Corp.	9 650	10 875	
85 739	Chemical Financial Corp.	3 403	6 236	
66 810	Chubb Ltd.	10 760	11 856	
8 450	Cincinnati Financial Corp.	793	860	
5 354	CIT Group Inc.	276	307	

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

PHILLIPS, HAGER & NORTH
Investment Management®

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
664 007	Citigroup Inc.	$ 42 754	$ 52 984	
244 237	Citizens Financial Group Inc.	7 601	11 684	
54 204	CME Group Inc., Class A	6 701	8 395	
1 534	CNA Financial Corp.	78	86	
81 750	CoBiz Financial Inc.	1 316	1 854	
47 110	Community Bank System Inc.	2 029	3 908	
518 725	Compass Diversified Holdings	10 190	12 467	
11 549	Discover Financial Services	953	1 118	
2 003	Everest Re Group Ltd.	556	582	
15 030	Factset Research Systems Inc.	2 305	3 300	
45 546	Fifth Third Bancorp	1 275	1 649	
84 279	First Republic Bank	7 694	10 426	
90 380	Hanmi Financial Corp.	2 979	4 235	
29 085	Hartford Financial Services Inc.	1 552	1 861	
78 250	Heritage Financial Corp.	1 845	2 705	
151 498	Huntington Bancshares	2 482	2 689	
76 300	Invesco Ltd.	2 983	3 110	
360 341	JPMorgan Chase & Co.	28 636	41 770	
346 035	KeyCorp	6 648	8 488	
40 330	LegacyTexas Financial Group Inc.	1 243	2 332	
54 998	Lincoln National Corp.	2 959	4 894	
11 671	Loews Corp.	627	734	
4 710	MarketAxess Holdings Inc.	818	929	
268 519	Marsh & McLennan Companies Inc.	23 092	24 368	
60 150	Mercantile Bank Corp.	1 714	3 045	
117 909	Morgan Stanley	4 286	6 689	
20 724	MSCI Inc.	2 272	2 192	
596 242	National General Holdings Corp.	14 651	20 006	
244 095	Navient Corp.	4 575	5 385	
17 960	Northrim BanCorp Inc.	594	762	
180 880	Old Republic International Corp.	4 449	4 614	
116 752	Pacific Premier Bancorp Inc.	3 551	5 541	
20 050	Pinnacle Financial Partners Inc.	1 365	1 866	
77 122	PNC Bank Corp.	8 830	12 111	
24 834	Popular Inc.	1 086	1 462	
15 870	Principal Financial Group Inc.	1 094	1 233	
38 620	ProAssurance Corp.	1 940	2 914	
100 809	Prudential Financial Inc.	11 205	14 088	
45 360	Raymond James Financial Corp.	2 183	4 219	
468 399	Regions Financial Corp.	5 902	9 031	
17 420	Reinsurance Group of America Inc.	2 153	2 943	
38 530	RLI Corp.	2 905	3 266	
140 923	S&P Global Inc.	22 978	20 348	
86 280	Safeguard Scientifics Inc.	1 797	1 558	
86 269	Santander Consumer USA Holdings Inc.	1 513	1 564	
49 780	Signature Bank	7 794	10 039	
91 070	Sterling Bancorp	1 622	2 852	
285 028	Suntrust Banks Inc.	14 860	20 991	
23 146	SVB Financial Group	3 248	5 335	
645 109	Synchrony Financial	24 789	31 415	
48 290	Synovus Financial Corp.	1 805	2 663	
25 330	T. Rowe Price Group Inc.	2 131	2 560	
66 060	Texas Capital Bancshares Inc.	4 235	6 954	
71 000	The Charles Schwab Corporation	2 918	3 763	
126 339	The Goldman Sachs Group Inc.	$ 30 800	$ 40 649	
172 010	United Community Banks Inc.	4 677	6 841	
139 636	Voya Financial Inc.	6 731	7 353	
260 599	Wells Fargo & Company	15 770	19 288	
24 510	XL Group Ltd.	1 106	1 226	
		562 221	711 835	**15.2**
Health Care				
174 338	AbbVie Inc.	14 075	14 658	
36 518	Abiomed Inc.	3 935	5 525	
58 122	Aetna Inc.	8 557	9 679	
47 058	Agilent Technologies Inc.	2 881	2 879	
68 680	Air Methods Corp.	3 612	2 937	
26 400	Alexion Pharmaceuticals Inc.	4 230	4 337	
29 100	Align Technology Inc.	2 878	3 756	
17 500	Allergan plc	4 506	4 939	
5 442	AMAG Pharmaceuticals Inc.	220	254	
107 368	AmerisourceBergen Corp.	13 692	11 272	
273 834	Amgen Inc.	55 726	53 773	
7 900	Anthem Inc.	1 398	1 525	
171 482	Baxter International Inc.	10 471	10 212	
19 900	Becton Dickinson & Co.	4 446	4 424	
19 100	Biogen Inc.	7 056	7 277	
70 368	BioScrip Inc.	460	98	
199 026	Boston Scientific Corp.	5 723	5 780	
146 000	Bristol-Myers Squibb Co.	11 186	11 456	
14 220	C.R. Bard Inc.	3 037	4 289	
99 086	Cardinal Health Inc.	10 281	9 575	
74 013	Celgene Corp.	10 281	11 509	
66 948	Centene Corp.	5 200	5 080	
10 200	Cigna Corp.	1 862	1 829	
15 310	Cooper Co. Inc.	2 520	3 596	
28 740	DaVita Inc.	2 562	2 478	
68 490	Edwards Lifesciences Corp.	9 306	8 616	
97 600	Eli Lilly & Co.	10 098	9 641	
46 390	Emergent Biosolutions Inc.	1 900	2 047	
18 542	Endo International Plc.	418	410	
134 852	Envision Healthcare Corp.	11 358	11 459	
16 500	Express Scripts Holding Co.	1 690	1 524	
442 939	Gilead Sciences Inc.	50 642	42 596	
144 560	Globus Medical Inc., Class A	4 499	4 815	
72 237	HCA Holdings Inc.	7 151	7 181	
26 040	Henry Schein Inc.	2 947	5 304	
5 600	Humana Inc.	1 536	1 534	
63 380	IDEXX Laboratories Inc.	5 991	9 979	
20 464	Intuitive Surgical Inc.	18 067	17 444	
108 802	Jazz Pharmaceuticals Plc.	17 683	15 927	
581 657	Johnson & Johnson	81 129	90 014	
30 960	Laboratory Corp. of America Holdings	4 500	5 337	
3 165	Ligand Pharmaceuticals Inc.	447	432	
163 060	Mallinckrodt Plc.	12 614	10 913	
25 050	Masimo Corp.	758	2 267	
25 300	McKesson Corp.	4 728	4 772	
119 645	Medtronic Plc.	10 380	11 447	
355 369	Merck & Co. Inc.	27 456	28 089	
23 993	Mettler-Toledo International Inc.	10 834	13 488	

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PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Health Care (cont.)				
46 631	Molina Healthcare Inc.	$ 3 504	$ 3 399	
41 360	Parexel International Corp.	2 037	3 650	
19 350	Perrigo Company Plc.	2 760	2 163	
304 290	Pfizer Inc.	12 670	13 276	
22 970	PharMerica Corp.	970	776	
35 590	STERIS Plc.	3 472	3 221	
6 680	Teleflex Inc.	1 155	1 445	
21 459	Tenet Healthcare Corp.	504	428	
73 280	Thermo Fisher Scientific Inc.	13 644	13 885	
24 410	U.S. Physical Therapy Inc.	773	2 301	
10 780	United Therapeutics Corp.	1 991	2 076	
161 177	UnitedHealth Group Incorporated	26 853	34 653	
21 577	Universal Health Services Inc., Class B	3 207	3 082	
26 430	Varian Medical Systems Inc.	2 285	3 187	
41 246	Veeva Systems Inc.	1 946	2 254	
22 086	Waters Corp.	3 687	3 987	
42 910	WellCare Health Plans Inc.	5 636	7 907	
61 492	West Pharmaceutical Services Inc.	2 730	7 006	
		576 751	607 069	**12.9**
Industrials				
31 400	3M Co.	6 881	7 533	
491 690	ACCO Brands Corp.	4 661	8 615	
19 989	Acuity Brands Inc.	6 195	6 199	
3 717	AECOM	151	181	
56 751	Alaska Airgroup Inc.	5 133	6 761	
39 477	Ametek Inc.	1 707	2 576	
78 667	Astronics Corp.	3 432	3 574	
12 137	Astronics Corp., Class B	–	549	
25 284	Atlas Air Worldwide Holdings Inc.	1 625	1 770	
60 820	AZZ Inc.	2 065	5 218	
38 150	Babcock & Wilcox Enterprises Inc.	945	850	
132 600	Boeing Co.	24 132	27 733	
56 192	BWX Technologies Inc.	2 523	2 996	
53 085	Carlisle Cos. Inc.	6 616	7 864	
152 730	Casella Waste Systems Inc., Class A	1 458	2 545	
29 950	Clean Harbors Inc.	1 659	2 238	
210 545	Columbus McKinnon Corp.	4 650	7 644	
19 938	Copa Holdings S.A., Class A	2 318	2 432	
53 670	Copart Inc.	2 254	3 993	
277 253	CSX Corp.	10 448	13 375	
69 835	Cummins Engine Inc.	12 600	12 821	
321 796	Delta Air Lines Inc.	17 919	21 253	
91 740	Ducommun Inc.	2 644	3 148	
14 767	Dun & Bradstreet Corp.	2 343	2 405	
75 730	EnerSys	4 602	7 941	
58 150	Ennis Inc.	1 334	1 355	
6 026	Equifax Inc.	896	957	
52 499	FedEx Corporation	11 709	13 127	
30 055	Flowserve Corp.	1 903	1 939	
67 606	Fortune Brands Home & Security Inc.	5 073	4 853	
15 880	GATX Corp.	937	1 313	
17 000	General Dynamics Corp.	3 384	3 943	
476 088	General Electric Company	17 468	20 222	
7 940	Grainger (W.W.) Inc.	1 946	2 476	

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials (cont.)				
36 853	Hawaiian Holdings Inc.	$ 2 242	$ 2 820	
118 870	Honeywell International Inc.	16 885	18 494	
7 011	Huntington Ingalls Industries Inc.	1 436	1 734	
61 005	IHS Markit Ltd.	2 281	2 900	
51 427	Illinois Tool Works Inc.	7 360	8 456	
133 788	Ingersoll-Rand Plc., Class A	10 920	13 479	
2 448	Insperity Inc.	233	233	
83 335	Insteel Industries Inc.	1 657	3 988	
62 683	Interface Inc.	1 016	1 561	
24 870	J.B. Hunt Transport Services Inc.	1 815	3 241	
141 611	JetBlue Airways Corp.	3 790	4 263	
7 230	Kirby Corp.	642	646	
28 540	Landstar System Inc.	1 721	3 269	
15 292	Lennox International Inc.	2 676	3 146	
83 134	Lockheed Martin Corporation	24 097	27 922	
75 966	Lydall Inc.	3 526	6 308	
86 261	Manpower Inc.	8 669	10 295	
36 170	Marten Transport Ltd.	916	1 132	
209 226	Masco Corp.	8 025	8 883	
19 130	Middleby Corp.	2 280	3 308	
15 690	Miller (Herman) Inc.	541	720	
25 170	MSC Industrial Direct Co.	2 110	3 124	
182 326	NN Inc.	4 869	4 663	
17 400	Northrop Grumman Corp.	4 755	5 436	
7 237	Old Dominion Freight Line Inc.	313	834	
23 640	Oshkosh Truck Corp.	1 629	2 051	
72 456	Owens Corning	4 959	5 016	
66 565	Paccar Inc.	4 992	5 711	
6 473	Parker Hannifin Corp.	1 157	1 217	
127 929	Patrick Industries Inc.	4 902	13 106	
41 620	Pentair Plc.	3 038	3 133	
77 330	PGT Innovations Inc.	1 264	1 189	
34 672	Quanta Services Inc.	964	1 622	
42 310	Raytheon Company	7 403	8 069	
16 380	Roper Technologies Inc.	2 739	4 027	
30 479	RR Donnelley & Sons Co.	1 211	668	
31 854	Ryder System Inc.	2 733	3 184	
345 826	Southwest Airlines	18 301	23 142	
64 468	Spirit Aerosystems Holdings Inc., Class A	4 236	5 052	
83 951	Spirit Airlines Inc.	4 941	6 522	
20 970	Stericycle Inc.	2 410	2 169	
118 622	The Greenbrier Co. Inc.	4 929	6 618	
26 338	Toro Co.	1 749	1 979	
17 463	TransUnion	700	727	
13 687	Trex Co. Inc.	1 065	1 183	
47 821	Trinity Industries	1 553	1 783	
13 800	Union Pacific Corp.	1 573	1 922	
219 618	United Continental Holdings Inc.	15 500	21 490	
34 900	United Parcel Service Inc.	4 728	5 377	
53 817	United Rentals Inc.	5 500	7 630	
45 830	United Technologies Corp.	6 142	6 756	
1 804	Universal Forest Products	254	247	
39 460	USG Corp.	1 434	1 531	
30 740	Verisk Analytics Inc.	2 331	3 350	
29 400	Wabtec Corp.	3 159	3 277	

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PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials (cont.)				
2 579	WageWorks Inc.	$ 253	$ 251	
39 480	Waste Connections Inc.	2 812	4 167	
94 513	Waste Management Inc.	7 896	9 003	
45 630	Woodward Inc.	2 677	4 230	
31 098	Xylem Inc.	2 123	2 068	
		421 643	522 721	**11.1**
Information Technology				
194 506	Accenture Plc., Class A	25 170	30 589	
239 243	Activision Blizzard Inc.	12 467	11 599	
47 300	Adobe Systems Inc.	6 519	6 538	
145 344	Advanced Micro Devices Inc.	1 395	2 213	
60 622	Akamai Technologies Inc.	5 102	5 427	
10 180	Alliance Data Systems Corp.	3 634	3 125	
29 500	Alphabet Inc., Class A	20 837	31 404	
40 840	Alphabet Inc., Class C	35 092	42 361	
29 860	Ansys Inc.	2 528	3 708	
635 237	Apple Inc.	82 308	98 813	
649 143	Applied Materials Inc.	23 175	28 126	
51 252	Arrow Electronics Inc.	3 704	4 906	
56 020	Aspen Technology Inc.	3 025	4 113	
48 570	Autodesk Inc.	3 057	4 826	
28 300	Automatic Data Processing Inc.	3 811	3 905	
84 210	Broadcom Ltd.	15 370	19 993	
103 570	CA Inc.	4 459	4 418	
48 629	Cadence Design Systems Inc.	1 658	1 647	
51 860	Cavium Inc.	3 347	4 348	
3 811	CDK Global Inc.	287	305	
1 481 608	Cisco Systems Inc.	54 838	60 166	
109 466	Citrix Systems Inc.	11 512	13 126	
13 442	Cognex Corp.	1 020	1 148	
20 100	Cognizant Technology Solutions Corp., Class A	1 506	1 512	
12 885	Coherent Inc.	1 280	2 377	
14 250	Commvault Systems Inc.	977	983	
108 667	Convergys Corp.	3 514	3 583	
33 326	Dolby Laboratories Inc.	2 097	2 020	
94 100	eBay Inc.	3 732	3 751	
63 101	F5 Networks Inc.	10 551	12 261	
414 688	Facebook Inc., Class A	54 349	64 108	
86 473	Fidelity National Information Services Inc.	7 993	8 782	
15 683	Fiserv Inc.	1 867	2 238	
3 201	FleetCor Technologies Inc.	707	609	
23 345	Hewlett Packard Enterprise Co.	729	725	
408 475	HP Inc.	7 191	8 139	
58 471	Integrated Device Technology Inc.	1 498	1 850	
538 204	Intel Corp.	22 709	26 227	
61 151	InterDigital Inc.	3 668	7 500	
238 753	International Business Machines	48 570	53 210	
17 000	Intuit Inc.	2 541	2 616	
25 072	IPG Photonics Corp.	2 021	3 323	
2 840	Itron Inc.	242	240	
148 453	Jabil Circuit Inc.	3 940	4 718	
24 486	KLA-Tencor Corp.	2 515	2 587	
103 953	Lam Research Corp.	10 777	14 757	
Information Technology (cont.)				
34 275	MACOM Technology Solutions Holdings Inc.	$ 1 938	$ 2 130	
76 551	Manhattan Associates Inc.	5 974	5 450	
95 820	Mastercard Inc.	11 314	13 289	
21 940	MercadoLibre Inc.	2 698	4 600	
5 010	Microchip Technology Inc.	419	432	
158 680	Microsemi Corp.	8 830	11 498	
1 165 445	Microsoft Corp.	77 747	97 236	
25 830	Mitel Networks Corp.	285	236	
53 390	MKS Instruments Inc.	3 456	4 258	
94 879	Motorola Solutions Inc.	8 994	10 562	
91 252	NetApp Inc.	4 087	4 321	
111 070	Novanta Inc.	2 024	3 132	
158 910	Nvidia Corp.	7 819	22 774	
320 197	ON Semiconductor Corporation	4 997	5 486	
322 661	Oracle Corporation	16 728	16 657	
71 832	Paychex Inc.	5 616	5 872	
240 910	PayPal Holdings Inc.	12 601	12 767	
35 280	PC Connection Inc.	1 194	1 331	
33 600	QUALCOMM Inc.	2 528	2 943	
35 120	Red Hat Inc.	2 796	3 287	
39 400	Salesforce.com Inc.	3 920	3 622	
99 666	Sapiens International Corp. N.V.	1 452	1 919	
79 221	Skyworks Solutions Inc.	7 577	7 941	
13 160	Stamps.com Inc.	1 429	2 026	
51 220	Synaptics Inc.	4 420	3 685	
105 147	Synchronoss Technologies Inc.	4 987	5 407	
81 581	SynOpsys Inc.	4 349	6 447	
60 610	Take-Two Interactive Software Inc.	1 505	4 011	
177 265	Teradata Corp.	6 551	6 467	
54 000	Tessco Technologies Inc.	1 163	943	
140 216	Texas Instruments Inc.	11 202	13 737	
97 289	TiVo Corp.	2 741	2 730	
92 825	Total System Services Inc.	6 069	6 111	
7 653	TTM Technologies Inc.	137	140	
34 888	Tyler Technologies Inc.	5 189	6 692	
186 617	Verisign Inc.	17 566	19 064	
162 100	Visa Inc., Class A	15 081	17 012	
17 790	Vishay Precision Group Inc.	315	451	
6 265	VMware Inc.	659	662	
215 229	Western Digital Corp.	15 985	19 636	
32 950	WEX Inc.	3 148	4 938	
606 936	Xerox Corp.	7 806	7 114	
13 736	Yelp Inc.	669	703	
25 560	Zebra Technologies Corp.	2 787	2 943	
		828 041	987 582	**21.0**
Materials				
24 000	Air Products & Chemicals Inc.	4 618	4 635	
100 888	Albemarle Corp.	10 605	11 665	
46 090	Aptargroup Inc.	3 493	4 545	
98 331	Avery Dennison Corp.	9 878	9 271	
26 570	Ball Corp.	2 499	2 679	
6 807	Commercial Metals Co.	210	199	
125 204	Crown Holdings Inc.	8 274	8 837	
12 695	Domtar Corp.	640	666	

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
24 573	Dow Chemical Company	$ 1 635	$ 1 888	
59 300	Du Pont (E.I.) de Nemours and Company	5 415	5 844	
18 500	Ecolab Inc.	2 970	2 912	
60 250	Ferro Corp.	956	1 159	
62 350	FutureFuel Corp.	901	1 164	
47 250	Glatfelter (P.H.) Co.	1 293	1 516	
118 052	Huntsman Corp.	2 956	3 024	
5 110	Kaiser Aluminum Corp.	557	533	
109 021	Koppers Holdings Inc.	3 033	5 899	
121 136	LyondellBasell Industries N.V.	13 855	13 952	
29 200	Monsanto Co.	4 130	4 128	
70 882	Newmont Mining Corporation	1 750	3 242	
365 645	Omnova Solutions Inc.	2 990	4 909	
54 710	PPG Industries Inc.	7 419	6 961	
21 440	Reliance Steel & Aluminum Co.	1 768	2 290	
32 854	Sherwin-Williams Co.	11 862	11 869	
155 405	Steel Dynamics Inc.	4 830	7 427	
15 385	The Chemours Co.	427	456	
67 880	Universal Stainless & Alloy	2 037	1 231	
161 406	WestRock Co.	9 561	11 006	
		120 562	133 907	**2.9**
Real Estate				
38 430	Alexandria Real Estate Equities Inc.	5 308	5 734	
26 900	American Tower Corp. Real Estate Investment Trust	3 607	3 817	
47 020	Apartment Investment & Management Co.	2 654	2 869	
43 090	AvalonBay Communities Inc. Real Estate Investment Trust	9 630	10 253	
2 090	Boston Properties Inc.	374	353	
4 597	Camden Property Trust	477	519	
181 266	CBL & Associates Properties Inc.	2 801	2 799	
26 920	Columbia Property Trust Inc. Real Estate Investment Trust	802	781	
25 730	Community Healthcare Trust Inc. Real Estate Investment Trust	760	796	
41 327	CoreSite Realty Corp. Real Estate Investment Trust	3 150	4 404	
16 200	Crown Castle International Corp. Real Estate Investment Trust	1 894	1 887	
54 960	CubeSmart Real Estate Investment Trust	2 003	1 975	
72 717	CyrusOne Inc. Real Estate Investment Trust	4 878	4 367	
71 780	DiamondRock Hospitality Co. Real Estate Investment Trust	972	1 111	
18 360	DuPont Fabros Technology Inc. Real Estate Investment Trust	884	1 083	
6 990	EastGroup Properties Inc. Real Estate Investment Trust	530	693	
62 849	EPR Properties Real Estate Investment Trust	6 418	6 056	
26 100	Extra Space Storage Inc. Real Estate Investment Trust	2 730	2 707	
13 250	Federal Realty Investment Trust	2 680	2 528	
97 770	First Industrial Realty Trust Inc. Real Estate Investment Trust	3 611	3 682	
149 861	Gramercy Property Trust Real Estate Investment Trust	1 494	1 847	
86 987	HCP Inc. Real Estate Investment Trust	3 597	3 475	
137 291	Healthcare Trust of America Inc. Real Estate Investment Trust	5 609	5 362	
78 555	Highwoods Properties Inc.	5 112	5 382	
176 817	Hospitality Properties Trust	6 372	7 535	
200 664	Host Marriott Corp.	4 499	5 080	
109 926	Kilroy Realty Corp. Real Estate Investment Trust	9 379	10 807	
48 480	LaSalle Hotel Properties	1 699	1 983	
68 420	Lexington Real Estate Investment Trust	760	992	
190 312	Medical Properties Trust Inc. Real Estate Investment Trust	3 076	3 143	
109 620	Physicians Realty Trust Real Estate Investment Trust	2 804	2 791	
11 394	ProLogis Inc. Trust	768	808	
7 700	Public Storage Inc. Real Estate Investment Trust	2 292	2 309	
43 280	Ramco-Gershenson Properties Trust Real Estate Investment Trust	958	963	
28 100	Rexford Industrial Realty Inc. Real Estate Investment Trust	590	875	
53 503	Simon Property Group Inc.	13 632	12 787	
60 695	Spirit Realty Capital Inc. Real Estate Investment Trust	1 006	885	
35 990	STAG Industrial Inc. Real Estate Investment Trust	945	1 152	
25 390	Terreno Realty Corp. Real Estate Investment Trust	739	971	
1 436	The Howard Hughes Corp.	216	220	
8 526	The Macerich Company	879	811	
130 117	Ventas Inc. Real Estate Investment Trust	10 895	10 922	
486 830	VEREIT Inc. Real Estate Investment Trust	5 350	5 530	
54 930	Weyerhaeuser Company Ltd.	2 252	2 219	
17 369	WP Carey Inc. Real Estate Investment Trust	1 636	1 378	
		142 722	148 641	**3.2**
Telecommunication Services				
681 725	AT&T Inc.	35 635	38 942	
19 000	Sprint Corp.	166	215	
182 176	T-Mobile US Inc.	10 390	14 067	
4 528	Telephone & Data Systems Inc.	157	176	
696 604	Verizon Communications Inc.	45 468	49 940	
126 360	Vonage Holdings Corp.	1 100	1 162	
		92 916	104 502	**2.2**

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
111 771	AES Corp.	$ 1 632	$ 1 744	
18 350	Ameren Corporation	1 224	1 292	
191 233	American Electric Power	14 617	16 166	
198 072	Centerpoint Energy Inc.	6 182	6 553	
137 587	CMS Energy Corp.	7 536	7 689	
39 227	Consolidated Edison Inc.	3 698	3 881	
258 688	DTE Energy Company	29 055	34 220	
288 997	Edison International	26 363	27 934	
140 078	Entergy Corp.	13 666	13 818	
573 727	Exelon Corp.	23 722	27 338	
182 939	FirstEnergy Corporation	7 984	7 607	
108 620	NextEra Energy Inc.	16 494	17 427	
7 673	NiSource Inc.	215	228	
33 520	NorthWestern Corp.	2 226	2 559	
408 452	NRG Energy Inc.	6 169	6 723	
36 990	Portland General Electric Co.	1 682	2 153	
167 107	Public Service Enterprise Group	9 039	9 845	
68 000	Spire Inc.	4 394	5 893	
7 469	WEC Energy Group Inc.	555	588	
3 881	Xcel Energy Inc.	204	212	
		176 657	193 870	**4.1**
TOTAL UNITED STATES EQUITIES		4 042 861	4 653 216	**99.0**
TOTAL EQUITIES		4 046 308	4 656 658	**99.1**
SHORT-TERM INVESTMENTS*		19 986	20 006	**0.4**
TOTAL INVESTMENTS		$4 066 294	4 676 664	**99.5**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			22 081	**0.5**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$4 698 745	**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 0.57% to 0.69% and mature between January 3, 2017 and January 24, 2017.

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)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 4 676 664**	$ 3 890 878
Cash	**19 442**	21 633
Due from investment dealers	**1 897**	889
Subscriptions receivable	**584**	916
Unrealized gain on foreign exchange contracts	**–**	1
Dividends receivable, interest accrued and other assets	**5 531**	4 045
TOTAL ASSETS	**4 704 118**	3 918 362
LIABILITIES		
Due to investment dealers	**4 552**	3 459
Redemptions payable	**571**	558
Unrealized loss on foreign exchange contracts	**–**	3
Accounts payable and accrued expenses	**250**	222
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**5 373**	4 242
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 4 698 745**	$ 3 914 120
Investments at cost	**$ 4 066 294**	$ 3 444 205
NAV		
SERIES A	**$ 2 427**	$ 2 558
ADVISOR SERIES	**$ 858**	$ 870
SERIES D	**$ 31 493**	$ 34 522
SERIES F	**$ 641**	$ 459
SERIES O	**$ 4 663 326**	$ 3 875 711
NAV PER UNIT		
SERIES A	**$ 16.46**	$ 16.05
ADVISOR SERIES	**$ 16.49**	$ 16.06
SERIES D	**$ 17.17**	$ 16.74
SERIES F	**$ 17.18**	$ 16.69
SERIES O	**$ 16.80**	$ 16.35

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 90 064**	$ 64 133
Interest for distribution purposes	**60**	21
Securities lending revenue (see note 6 in the generic notes)	**297**	621
Net realized gain (loss) on investments	**155 747**	396 612
Net gain (loss) on foreign currencies and other net assets	**1 489**	7 649
Change in unrealized gain (loss) on investments	**163 699**	57 656
TOTAL INCOME (LOSS)	**411 356**	526 692
EXPENSES (see notes – Fund Specific Information)		
Management fees	**336**	339
Administration fees	**2 109**	1 616
Independent Review Committee costs	**2**	3
GST/HST	**239**	186
Transaction costs	**3 109**	3 684
Withholding tax	**11 911**	8 071
TOTAL EXPENSES	**17 706**	13 899
INCREASE (DECREASE) IN NAV	**$ 393 650**	$ 512 793
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 129**	$ 386
ADVISOR SERIES	**$ 49**	$ 149
SERIES D	**$ 1 744**	$ 4 355
SERIES F	**$ 35**	$ 77
SERIES O	**$ 391 693**	$ 507 826
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.85**	$ 2.45
ADVISOR SERIES	**$ 0.93**	$ 2.47
SERIES D	**$ 0.94**	$ 2.65
SERIES F	**$ 1.14**	$ 2.71
SERIES O	**$ 1.51**	$ 2.73

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 393 650**	$ 512 793
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(152 701)**	(396 612)
Change in unrealized loss (gain) on investments	**(163 699)**	(57 656)
(Increase) decrease in accrued receivables	**(1 486)**	(1 840)
Increase (decrease) in accrued payables	**28**	86
Cost of investments purchased	**(6 858 138)**	(6 994 417)
Proceeds on sales of investments	**6 388 835**	5 758 259
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(393 511)**	(1 179 387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**622 023**	1 941 665
Cash paid on redemption of redeemable units	**(230 600)**	(777 031)
Distributions paid to holders of redeemable units	**(103)**	(188)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 391 320**	$ 1 164 446
Net increase (decrease) in cash for the period	**(2 191)**	(14 941)
Cash (bank overdraft), beginning of period	**21 633**	36 574
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 19 442**	$ 21 633
Interest received (paid)	**$ 58**	$ 21
Dividends received, net of withholding taxes	**$ 76 669**	$ 54 221

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

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 2 558**	$ 2 271	**$ 870**	$ 961	**$ 34 522**	$ 20 754	**$ 459**	$ 421
INCREASE (DECREASE) IN NAV	**129**	386	**49**	149	**1 744**	4 355	**35**	77
Early redemption fees	**–**	–	**–**	–	**–**	1	**–**	–
Proceeds from redeemable units issued	**149**	619	**254**	309	**5 031**	15 064	**302**	141
Reinvestments of distributions to holders of redeemable units	**84**	208	**23**	68	**1 299**	2 896	**19**	31
Redemption of redeemable units	**(409)**	(701)	**(309)**	(545)	**(9 767)**	(5 596)	**(148)**	(169)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(176)**	126	**(32)**	(168)	**(3 437)**	12 365	**173**	3
Distributions from net income	**–**	–	**–**	–	**(193)**	(65)	**(5)**	(2)
Distributions from net gains	**(84)**	(225)	**(29)**	(72)	**(1 143)**	(2 887)	**(21)**	(40)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(84)**	(225)	**(29)**	(72)	**(1 336)**	(2 952)	**(26)**	(42)
NET INCREASE (DECREASE) IN NAV	**(131)**	287	**(12)**	(91)	**(3 029)**	13 768	**182**	38
NAV AT END OF PERIOD	**$ 2 427**	$ 2 558	**$ 858**	$ 870	**$ 31 493**	$ 34 522	**$ 641**	$ 459

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 3 875 711**	$ 2 211 641	**$ 3 914 120**	$ 2 236 048
INCREASE (DECREASE) IN NAV	**391 693**	507 826	**393 650**	512 793
Early redemption fees	**–**	–	**–**	1
Proceeds from redeemable units issued	**615 955**	1 926 337	**621 691**	1 942 470
Reinvestments of distributions to holders of redeemable units	**237 975**	383 119	**239 400**	386 322
Redemption of redeemable units	**(219 980)**	(769 993)	**(230 613)**	(777 004)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**633 950**	1 539 463	**630 478**	1 551 789
Distributions from net income	**(74 598)**	(51 127)	**(74 796)**	(51 194)
Distributions from net gains	**(163 430)**	(332 092)	**(164 707)**	(335 316)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(238 028)**	(383 219)	**(239 503)**	(386 510)
NET INCREASE (DECREASE) IN NAV	**787 615**	1 664 070	**784 625**	1 678 072
NAV AT END OF PERIOD	**$ 4 663 326**	$ 3 875 711	**$ 4 698 745**	$ 3 914 120

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Information Technology	**21.0**	20.4
Financials	**15.2**	17.5
Health Care	**12.9**	13.3
Consumer Discretionary	**12.3**	14.3
Industrials	**11.1**	11.9
Consumer Staples	**8.1**	7.4
Energy	**6.1**	4.9
Utilities	**4.1**	4.6
Real Estate	**3.2**	–
Materials	**2.9**	3.1
Telecommunication Services	**2.2**	1.9
Cash/Other	**0.9**	0.7
Total	**100.0**	100.0

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 2016**	December 31 2015
United States dollar	**100.0**	100.0
Total	**100.0**	100.0

As at December 31, 2016, 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, 2015 – 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 2016		December 31 2015	
Russell 3000 Total Return Index (CAD)	**+ or -**	**1.0**	+ or -	1.0

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**4 656 658**	**–**	**–**	**4 656 658**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**20 006**	**–**	**20 006**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**4 656 658**	**20 006**	**–**	**4 676 664**
% of total portfolio	**99.6**	**0.4**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	3 887 843	–	–	3 887 843
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 035	–	3 035
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(3)	–	(3)
Total financial instruments	3 887 843	3 033	–	3 890 876
% of total portfolio	99.9	0.1	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.05%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**47**	131
Advisor Series	**142**	138
Series D	**136**	131
Series F	**138**	132
Series O	**149**	141
Value of all units	**10**	11

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**159**	152
Issued number of units	**10**	37
Reinvested number of units	**5**	13
Redeemed number of units	**(27)**	(43)
Ending number of units	**147**	159
Advisor Series		
Opening units	**54**	64
Issued number of units	**17**	19
Reinvested number of units	**1**	4
Redeemed number of units	**(20)**	(33)
Ending number of units	**52**	54
Series D		
Opening units	**2 062**	1 341
Issued number of units	**310**	873
Reinvested number of units	**75**	175
Redeemed number of units	**(613)**	(327)
Ending number of units	**1 834**	2 062
Series F		
Opening units	**28**	27
Issued number of units	**17**	9
Reinvested number of units	**1**	2
Redeemed number of units	**(9)**	(10)
Ending number of units	**37**	28
Series O		
Opening units	**237 032**	145 900
Issued number of units	**40 161**	112 339
Reinvested number of units	**14 016**	23 681
Redeemed number of units	**(13 556)**	(44 888)
Ending number of units	**277 653**	237 032

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**3 109**	**100**	3 684	100
Related-party brokerage commissions*	**30**	**1**	58	2
Commission arrangements†	**918**	**30**	812	22

* See note 7 in the generic notes.

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

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

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**361 352**	185 570
Fair value of collateral received	**368 579**	194 849

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

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Gross revenue	**489**	**100**	979	100
RBC IS (paid)	**(171)**	**(35)**	(341)	(35)
Tax withheld	**(21)**	**(4)**	(17)	(2)
Fund revenue	**297**	**61**	621	63

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 2016	December 31 2015
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	**–**	0.1
Phillips, Hager & North LifeTime 2050 Fund	**–**	–
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Class	**0.7**	1.0
RBC Managed Payout Solution	**3.1**	3.8
RBC Managed Payout Solution – Enhanced	**3.3**	4.1
RBC Managed Payout Solution – Enhanced Plus	**3.9**	4.9
RBC Retirement 2020 Portfolio	**–**	–
RBC Retirement 2025 Portfolio	**–**	–
RBC Retirement 2030 Portfolio	**–**	–
RBC Retirement 2035 Portfolio	**–**	–
RBC Retirement 2040 Portfolio	**–**	–
RBC Retirement 2045 Portfolio	**–**	–
RBC Retirement 2050 Portfolio	**–**	–
RBC Select Aggressive Growth Portfolio	**3.0**	3.0
RBC Select Balanced Portfolio	**29.4**	28.1
RBC Select Choices Aggressive Growth Portfolio	**0.3**	0.4
RBC Select Choices Balanced Portfolio	**0.2**	0.3
RBC Select Choices Conservative Portfolio	**0.1**	0.2
RBC Select Choices Growth Portfolio	**0.5**	0.6
RBC Select Conservative Portfolio	**26.7**	25.5
RBC Select Growth Portfolio	**10.9**	11.4
RBC Select Very Conservative Portfolio	**15.5**	14.0
RBC Target 2020 Education Fund	**0.3**	0.4
RBC Target 2025 Education Fund	**0.8**	0.8
RBC Target 2030 Education Fund	**0.4**	0.3
Total	**99.1**	98.9

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH U.S. EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
14 194	Amazon.com, Inc.	$ 11 035	$ 14 297	
43 568	Foot Locker Inc.	3 871	4 147	
34 932	L Brands Inc.	3 326	3 088	
18 296	Lear Corp.	2 603	3 254	
123 904	Macy's Inc.	6 323	5 957	
79 662	Newell Brands Inc.	5 424	4 776	
44 349	Omnicom Group	4 185	5 069	
33 946	Signet Jewelers Ltd.	4 069	4 298	
74 798	Time Warner Inc.	7 201	9 707	
68 126	TJX Companies Inc.	6 577	6 876	
46 586	Viacom Inc.	2 925	2 196	
47 602	Yum! Brands, Inc.	4 374	4 048	
46 694	Yum! China Holdings Inc.	1 558	1 638	
		63 471	69 351	**11.9**
Consumer Staples				
95 810	Conagra Brands Inc.	5 611	5 088	
27 059	Ingredion Inc.	4 782	4 541	
31 936	Lamb Weston Holdings Inc.	1 366	1 623	
134 805	Mondelez International Inc.	8 184	8 024	
72 762	PepsiCo Inc.	5 563	10 226	
92 156	Reynolds American Inc.	6 096	6 934	
102 941	The Procter & Gamble Co.	11 373	11 637	
65 625	Tyson Foods Inc.	4 921	5 435	
		47 896	53 508	**9.2**
Energy				
87 760	Anadarko Petroleum Corp.	7 208	8 216	
79 233	ConocoPhillips	4 735	5 333	
55 417	Exxon Mobil Corp.	5 580	6 715	
162 587	Marathon Oil Corp.	3 268	3 778	
51 637	Occidental Petroleum Corp.	4 741	4 937	
50 005	Pioneer Natural Resources Co.	10 346	12 092	
		35 878	41 071	**7.1**
Financials				
404 838	Bank of America Corp.	9 107	12 037	
208 451	Bank of New York Mellon Corp.	10 970	13 261	
53 727	Chubb Ltd.	8 742	9 535	
102 953	Citigroup Inc.	6 781	8 215	
49 294	Prudential Financial Inc.	5 592	6 889	
58 729	S&P Global Inc.	7 245	8 480	
132 822	Suntrust Banks Inc.	7 227	9 782	
200 432	Synchrony Financial	8 196	9 761	
123 800	Zions Bancorporation	5 212	7 154	
		69 072	85 114	**14.6**
Health Care				
53 473	Aetna Inc.	$ 8 004	$ 8 905	
21 302	Biogen Inc.	8 594	8 116	
46 537	Bristol-Myers Squibb Co.	3 931	3 652	
61 225	Celgene Corp.	6 543	9 521	
51 231	Gilead Sciences Inc.	5 139	4 927	
24 656	Jazz Pharmaceuticals Plc.	3 855	3 609	
65 819	Johnson & Johnson	6 305	10 186	
13 969	McKesson Corp.	3 344	2 635	
92 111	Medtronic Plc.	4 367	8 813	
49 771	Pfizer Inc.	2 102	2 171	
40 071	Thermo Fisher Scientific Inc.	6 662	7 593	
		58 846	70 128	**12.1**
Industrials				
28 104	Carlisle Cos. Inc.	4 008	4 163	
32 363	General Dynamics Corp.	6 256	7 506	
159 053	General Electric Company	5 621	6 756	
67 295	Honeywell International Inc.	8 993	10 470	
76 236	Ingersoll-Rand Plc., Class A	5 655	7 681	
78 796	Johnson Controls International Plc.	4 535	4 358	
28 602	Raytheon Company	5 058	5 455	
120 962	Southwest Airlines	6 641	8 094	
46 625	Union Pacific Corp.	5 428	6 494	
		52 195	60 977	**10.5**
Information Technology				
55 241	Adobe Systems Inc.	6 689	7 636	
17 281	Alphabet Inc., Class C	9 914	17 925	
106 987	Apple Inc.	10 401	16 642	
49 106	Broadcom Ltd.	9 372	11 659	
180 072	Cisco Systems Inc.	7 095	7 312	
88 102	Facebook Inc., Class A	12 082	13 620	
42 386	Fidelity National Information Services Inc.	4 156	4 305	
35 929	Lam Research Corp.	3 483	5 100	
53 307	Microsemi Corp.	3 129	3 863	
228 522	Microsoft Corp.	9 553	19 066	
46 447	Skyworks Solutions Inc.	4 664	4 656	
74 571	Total System Services Inc.	4 881	4 909	
68 028	Visa Inc., Class A	6 589	7 139	
96 855	Western Digital Corp.	7 780	8 836	
		99 788	132 668	**22.8**
Materials				
47 465	Albemarle Corp.	4 913	5 487	
48 100	PPG Industries Inc.	6 105	6 119	
62 929	WestRock Co.	3 909	4 291	
		14 927	15 897	**2.7**

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

PHILLIPS, HAGER & NORTH U.S. EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Real Estate				
40 209	Boston Properties Inc.	$ 6 638	$ 6 793	
29 994	Simon Property Group Inc.	7 667	7 169	
		14 305	13 962	**2.4**
Telecommunication Services				
85 758	T-Mobile US Inc.	4 912	6 622	
		4 912	6 622	**1.1**
Utilities				
128 809	American Electric Power	10 619	10 889	
99 639	DTE Energy Company	11 661	13 181	
		22 280	24 070	**4.1**
TOTAL UNITED STATES EQUITIES		483 570	573 368	**98.5**
SHORT-TERM INVESTMENTS*		8 006	8 016	**1.4**
TOTAL INVESTMENTS		$ 491 576	581 384	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			741	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 582 125	**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 0.58% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 581 384**	$ 552 347
Cash	**249**	4 912
Due from investment dealers	**–**	9 307
Subscriptions receivable	**110**	66
Dividends receivable, interest accrued and other assets	**747**	695
TOTAL ASSETS	**582 490**	567 327
LIABILITIES		
Due to investment dealers	**–**	10 187
Redemptions payable	**229**	60
Accounts payable and accrued expenses	**136**	168
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**365**	10 415
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 582 125**	$ 556 912
Investments at cost	**$ 491 576**	$ 465 134
NAV		
SERIES A	**$ 4 076**	$ 4 615
ADVISOR SERIES	**$ 1 284**	$ 1 979
SERIES D	**$ 135 852**	$ 147 545
SERIES F	**$ 3 777**	$ 3 580
SERIES O	**$ 437 136**	$ 399 193
NAV PER UNIT		
SERIES A	**$ 58.44**	$ 57.22
ADVISOR SERIES	**$ 58.44**	$ 57.22
SERIES D	**$ 58.30**	$ 57.08
SERIES F	**$ 58.55**	$ 57.33
SERIES O	**$ 59.19**	$ 57.93

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 12 598**	$ 11 842
Interest for distribution purposes	**4**	16
Net realized gain (loss) on investments	**3 597**	146 297
Net gain (loss) on foreign currencies and other net assets	**(151)**	109
Change in unrealized gain (loss) on investments	**2 595**	(82 218)
TOTAL INCOME (LOSS)	**18 643**	76 046
EXPENSES (see notes – Fund Specific Information)		
Management fees	**1 335**	1 602
Administration fees	**214**	240
Independent Review Committee costs	**2**	3
GST/HST	**121**	145
Transaction costs	**336**	447
Withholding tax	**1 350**	1 440
TOTAL EXPENSES	**3 358**	3 877
INCREASE (DECREASE) IN NAV	**$ 15 285**	$ 72 169
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 49**	$ 482
ADVISOR SERIES	**$ (24)**	$ 199
SERIES D	**$ 3 042**	$ 16 460
SERIES F	**$ 139**	$ 298
SERIES O	**$ 12 079**	$ 54 730
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.66**	$ 5.93
ADVISOR SERIES	**$ (0.98)**	$ 5.93
SERIES D	**$ 1.25**	$ 6.40
SERIES F	**$ 2.27**	$ 6.61
SERIES O	**$ 1.85**	$ 7.17

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 15 285**	$ 72 169
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(3 258)**	(146 297)
Change in unrealized loss (gain) on investments	**(2 595)**	82 218
(Increase) decrease in accrued receivables	**(52)**	(392)
Increase (decrease) in accrued payables	**(32)**	(2)
Cost of investments purchased	**(479 570)**	(939 794)
Proceeds on sales of investments	**455 506**	1 038 996
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(14 716)**	106 898
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**122 576**	53 579
Cash paid on redemption of redeemable units	**(109 672)**	(152 807)
Distributions paid to holders of redeemable units	**(2 851)**	(2 763)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 10 053**	$ (101 991)
Net increase (decrease) in cash for the period	**(4 663)**	4 907
Cash (bank overdraft), beginning of period	**4 912**	5
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 249**	$ 4 912
Interest received (paid)	**$ 4**	$ 17
Dividends received, net of withholding taxes	**$ 11 197**	$ 9 992

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 4 615**	$ 4 259	**$ 1 979**	$ 1 815	**$ 147 545**	$ 139 838	**$ 3 580**	$ 2 293
INCREASE (DECREASE) IN NAV	**49**	482	**(24)**	199	**3 042**	16 460	**139**	298
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**523**	1 280	**81**	260	**5 094**	12 520	**1 528**	1 452
Reinvestments of distributions to holders of redeemable units	**–**	–	**–**	–	**1 073**	888	**32**	22
Redemption of redeemable units	**(1 111)**	(1 406)	**(752)**	(295)	**(19 755)**	(21 222)	**(1 460)**	(454)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(588)**	(126)	**(671)**	(35)	**(13 588)**	(7 814)	**100**	1 020
Distributions from net income	**–**	–	**–**	–	**(1 147)**	(939)	**(42)**	(31)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**–**	–	**–**	–	**(1 147)**	(939)	**(42)**	(31)
NET INCREASE (DECREASE) IN NAV	**(539)**	356	**(695)**	164	**(11 693)**	7 707	**197**	1 287
NAV AT END OF PERIOD	**$ 4 076**	$ 4 615	**$ 1 284**	$ 1 979	**$ 135 852**	$ 147 545	**$ 3 777**	$ 3 580

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 399 193**	$ 438 672	**$ 556 912**	$ 586 877
INCREASE (DECREASE) IN NAV	**12 079**	54 730	**15 285**	72 169
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**115 394**	37 888	**122 620**	53 400
Reinvestments of distributions to holders of redeemable units	**5 532**	4 621	**6 637**	5 531
Redemption of redeemable units	**(86 763)**	(129 394)	**(109 841)**	(152 771)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**34 163**	(86 885)	**19 416**	(93 840)
Distributions from net income	**(8 299)**	(7 324)	**(9 488)**	(8 294)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(8 299)**	(7 324)	**(9 488)**	(8 294)
NET INCREASE (DECREASE) IN NAV	**37 943**	(39 479)	**25 213**	(29 965)
NAV AT END OF PERIOD	**$ 437 136**	$ 399 193	**$ 582 125**	$ 556 912

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Information Technology	**22.8**	23.5
Financials	**14.6**	17.1
Health Care	**12.1**	15.3
Consumer Discretionary	**11.9**	13.7
Industrials	**10.5**	8.9
Consumer Staples	**9.2**	8.9
Energy	**7.1**	6.2
Utilities	**4.1**	2.7
Materials	**2.7**	2.9
Real Estate	**2.4**	–
Telecommunication Services	**1.1**	–
Cash/Other	**1.5**	0.8
Total	**100.0**	100.0

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 2016**	December 31 2015
United States dollar	**100.0**	100.0
Total	**100.0**	100.0

As at December 31, 2016, 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, 2015 – 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 2016		December 31 2015	
S&P 500 Total Return Index (CAD)	**+ or -**	**1.0**	+ or -	1.0

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**573 368**	**–**	**–**	**573 368**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**8 016**	**–**	**8 016**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**573 368**	**8 016**	**–**	**581 384**
% of total portfolio	**98.6**	**1.4**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	552 347	–	–	552 347
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	552 347	–	–	552 347
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

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

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**19**	19
Advisor Series	**36**	36
Series D	**19**	19
Series F	**20**	20
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, 2016 for the Fund were approximately:

Capital losses	399 316
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**81**	83
Issued number of units	**10**	23
Reinvested number of units	**–**	–
Redeemed number of units	**(21)**	(25)
Ending number of units	**70**	81
Advisor Series		
Opening units	**35**	35
Issued number of units	**1**	5
Reinvested number of units	**–**	–
Redeemed number of units	**(14)**	(5)
Ending number of units	**22**	35
Series D		
Opening units	**2 585**	2 727
Issued number of units	**94**	228
Reinvested number of units	**18**	16
Redeemed number of units	**(367)**	(386)
Ending number of units	**2 330**	2 585
Series F		
Opening units	**62**	45
Issued number of units	**28**	25
Reinvested number of units	**1**	–
Redeemed number of units	**(26)**	(8)
Ending number of units	**65**	62
Series O		
Opening units	**6 891**	8 425
Issued number of units	**1 993**	672
Reinvested number of units	**92**	81
Redeemed number of units	**(1 590)**	(2 287)
Ending number of units	**7 386**	6 891

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**336**	**100**	447	100
Related-party brokerage commissions*	**–**	**–**	40	9
Commission arrangements†	**87**	**26**	132	30

* 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 2016	December 31 2015
BonaVista Balanced Fund	**0.7**	–
BonaVista Global Balanced Fund	**0.1**	0.1
BonaVista Private Balanced Fund	**1.0**	–
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	**8.1**	7.4
Total	**9.9**	7.5

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, 2016

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
791 931	Phillips, Hager & North U.S. Equity Fund*	$ 34 118	$ 46 871	
TOTAL MUTUAL FUND UNITS		34 118	46 871	**101.0**
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	46	**0.1**
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(626)	**(1.3)**
TOTAL PORTFOLIO		$ 34 118	46 291	**99.8**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			122	**0.2**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 46 413	**100.0**

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 1 000 Sold CAD 1 324 @ 0.7554	10-Jan-2017	$ 19
Bought USD 400 Sold CAD 537 @ 0.7455	10-Jan-2017	–
Bought USD 1 500 Sold CAD 2 011 @ 0.7460	10-Jan-2017	3
Bought USD 300 Sold CAD 393 @ 0.7632	17-Jan-2017	10
Bought CAD 8 597 Sold USD 6 395 @ 1.3443	08-Feb-2017	14
		$ 46

Contracts	Maturity Date	Unrealized Loss
Bought CAD 20 417 Sold USD 15 444 @ 1.3220	10-Jan-2017	$ (317)
Bought CAD 12 525 Sold USD 9 543 @ 1.3124	17-Jan-2017	(286)
Bought USD 322 Sold CAD 433 @ 0.7435	17-Jan-2017	(1)
Bought CAD 620 Sold USD 470 @ 1.3202	08-Feb-2017	(10)
Bought CAD 9 086 Sold USD 6 780 @ 1.3401	16-Feb-2017	(12)
		$ (626)
TOTAL FOREIGN EXCHANGE		$ (580)

All counterparties have a credit rating of at least A.

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

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 46 871**	$ 41 227
Cash	**136**	77
Subscriptions receivable	**1**	–
Unrealized gain on foreign exchange contracts	**46**	252
Dividends receivable, interest accrued and other assets	**–**	3
TOTAL ASSETS	**47 054**	41 559
LIABILITIES		
Redemptions payable	**–**	28
Unrealized loss on foreign exchange contracts	**626**	740
Accounts payable and accrued expenses	**15**	19
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**641**	787
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 46 413**	$ 40 772
Investments at cost	**$ 34 118**	$ 26 924
NAV		
SERIES A	**$ 888**	$ 1 128
ADVISOR SERIES	**$ 398**	$ 3 153
SERIES D	**$ 9 258**	$ 7 793
SERIES F	**$ 1 400**	$ 761
SERIES O	**$ 34 469**	$ 27 937
NAV PER UNIT		
SERIES A	**$ 10.20**	$ 9.81
ADVISOR SERIES	**$ 10.20**	$ 9.81
SERIES D	**$ 10.15**	$ 9.76
SERIES F	**$ 10.24**	$ 9.85
SERIES O	**$ 10.28**	$ 9.87

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Other income received from underlying funds	**$ 894**	$ 789
Net realized gain (loss) on investments	**3 597**	6 856
Net gain (loss) on foreign currencies and other net assets	**1 078**	(7 845)
Change in unrealized gain (loss) on investments	**(1 642)**	(1 817)
TOTAL INCOME (LOSS)	**3 927**	(2 017)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**150**	147
Administration fees	**49**	41
Independent Review Committee costs	**2**	3
GST/HST	**15**	16
Expenses reimbursed by manager	**–**	(3)
TOTAL EXPENSES	**216**	204
INCREASE (DECREASE) IN NAV	**$ 3 711**	$ (2 221)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 21**	$ (90)
ADVISOR SERIES	**$ –**	$ (235)
SERIES D	**$ 703**	$ (440)
SERIES F	**$ 157**	$ (44)
SERIES O	**$ 2 830**	$ (1 412)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.21**	$ (0.70)
ADVISOR SERIES	**$ –**	$ (0.69)
SERIES D	**$ 0.71**	$ (0.61)
SERIES F	**$ 1.02**	$ (0.59)
SERIES O	**$ 0.82**	$ (0.51)

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 3 711**	$ (2 221)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(3 597)**	(6 856)
Change in unrealized loss (gain) on investments	**1 642**	1 817
(Increase) decrease in accrued receivables	**3**	(3)
Increase (decrease) in accrued payables	**(4)**	3
Cost of investments purchased	**(18 212)**	(10 325)
Proceeds on sales of investments	**14 615**	17 866
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(1 842)**	281
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**17 737**	10 805
Cash paid on redemption of redeemable units	**(15 398)**	(10 726)
Distributions paid to holders of redeemable units	**(438)**	(321)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 1 901**	$ (242)
Net increase (decrease) in cash for the period	**59**	39
Cash (bank overdraft), beginning of period	**77**	38
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 136**	$ 77
Interest received (paid)	**$ –**	$ –
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 1 128**	$ 1 677	**$ 3 153**	$ 639	**$ 7 793**	$ 7 896	**$ 761**	$ 776
INCREASE (DECREASE) IN NAV	**21**	(90)	**–**	(235)	**703**	(440)	**157**	(44)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**253**	147	**27**	3 350	**3 016**	2 238	**1 192**	272
Reinvestments of distributions to holders of redeemable units	**–**	–	**–**	–	**68**	55	**9**	6
Redemption of redeemable units	**(514)**	(606)	**(2 782)**	(601)	**(2 250)**	(1 896)	**(704)**	(241)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(261)**	(459)	**(2 755)**	2 749	**834**	397	**497**	37
Distributions from net income	**–**	–	**–**	–	**(72)**	(60)	**(15)**	(8)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**–**	–	**–**	–	**(72)**	(60)	**(15)**	(8)
NET INCREASE (DECREASE) IN NAV	**(240)**	(549)	**(2 755)**	2 514	**1 465**	(103)	**639**	(15)
NAV AT END OF PERIOD	**$ 888**	$ 1 128	**$ 398**	$ 3 153	**$ 9 258**	$ 7 793	**$ 1 400**	$ 761

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 27 937**	$ 32 305	**$ 40 772**	$ 43 293
INCREASE (DECREASE) IN NAV	**2 830**	(1 412)	**3 711**	(2 221)
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**13 250**	4 763	**17 738**	10 770
Reinvestments of distributions to holders of redeemable units	**163**	196	**240**	257
Redemption of redeemable units	**(9 120)**	(7 405)	**(15 370)**	(10 749)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**4 293**	(2 446)	**2 608**	278
Distributions from net income	**(591)**	(510)	**(678)**	(578)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(591)**	(510)	**(678)**	(578)
NET INCREASE (DECREASE) IN NAV	**6 532**	(4 368)	**5 641**	(2 521)
NAV AT END OF PERIOD	**$ 34 469**	$ 27 937	**$ 46 413**	$ 40 772

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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.

Concentration risk (%)

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

Investment mix	**December 31 2016**	December 31 2015
Information Technology	**23.0**	23.7
Financials	**14.7**	17.3
Health Care	**12.2**	15.5
Consumer Discretionary	**12.0**	13.8
Industrials	**10.7**	9.0
Consumer Staples	**9.4**	9.0
Energy	**7.2**	6.3
Utilities	**4.1**	2.9
Materials	**2.7**	2.7
Real Estate	**2.4**	–
Telecommunication Services	**1.1**	–
Cash/Other	**0.5**	(0.2)
Total	**100.0**	100.0

Currency risk (% of net assets)

Since the currency risk of the underlying 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 2016		December 31 2015	
S&P 500 Total Return Index (hedged to CAD)	**+ or -**	**1.0**	+ or -	1.0

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**46 871**	**–**	**–**	**46 871**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**46**	**–**	**46**
Derivatives – liabilities	**–**	**(626)**	**–**	**(626)**
Total financial instruments	**46 871**	**(580)**	**–**	**46 291**
% of total portfolio	**101.3**	**(1.3)**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	41 227	–	–	41 227
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	252	–	252
Derivatives – liabilities	–	(740)	–	(740)
Total financial instruments	41 227	(488)	–	40 739
% of total portfolio	101.2	(1.2)	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.10%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

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 2016	December 31 2015
Units held		
Series A	**81**	81
Advisor Series	**157**	157
Series D	**117**	116
Series F	**87**	86
Series O	**91**	89
Value of all units	**5**	5

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual fund as a percentage of NAV, and the Fund's ownership interest as a percentage of the net assets of the underlying fund ("Ownership"). The underlying fund is established and conducts business in Canada, and has an associate relationship to the Fund.

	December 31 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North U.S. Equity Fund	**101.0**	**8.1**	101.1	7.4

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	154
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**115**	160
Issued number of units	**27**	14
Reinvested number of units	**–**	–
Redeemed number of units	**(55)**	(59)
Ending number of units	**87**	115
Advisor Series		
Opening units	**321**	61
Issued number of units	**3**	320
Reinvested number of units	**–**	–
Redeemed number of units	**(285)**	(60)
Ending number of units	**39**	321
Series D		
Opening units	**799**	756
Issued number of units	**337**	223
Reinvested number of units	**7**	6
Redeemed number of units	**(231)**	(186)
Ending number of units	**912**	799
Series F		
Opening units	**77**	74
Issued number of units	**131**	25
Reinvested number of units	**1**	1
Redeemed number of units	**(72)**	(23)
Ending number of units	**137**	77
Series O		
Opening units	**2 831**	3 062
Issued number of units	**1 472**	460
Reinvested number of units	**16**	20
Redeemed number of units	**(965)**	(711)
Ending number of units	**3 354**	2 831

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
2 622	Amazon.com, Inc.	$ 1 929	$ 2 641	
8 210	Foot Locker Inc.	718	781	
6 590	L Brands Inc.	627	583	
3 388	Lear Corp.	466	602	
23 551	Macy's Inc.	1 176	1 132	
15 124	Newell Brands Inc.	1 036	907	
8 338	Omnicom Group	757	953	
6 413	Signet Jewelers Ltd.	765	812	
14 230	Time Warner Inc.	1 307	1 847	
12 580	TJX Companies Inc.	1 197	1 270	
8 790	Viacom Inc.	568	414	
9 045	Yum! Brands, Inc.	841	769	
9 114	Yum! China Holdings Inc.	296	320	
		11 683	13 031	**11.9**
Consumer Staples				
18 070	Conagra Brands Inc.	1 075	960	
5 117	Ingredion Inc.	914	859	
6 065	Lamb Weston Holdings Inc.	258	308	
25 427	Mondelez International Inc.	1 553	1 513	
13 835	PepsiCo Inc.	882	1 944	
17 392	Reynolds American Inc.	1 130	1 309	
19 573	The Procter & Gamble Co.	2 154	2 213	
12 433	Tyson Foods Inc.	918	1 030	
		8 884	10 136	**9.2**
Energy				
16 450	Anadarko Petroleum Corp.	1 344	1 540	
15 075	ConocoPhillips	897	1 014	
10 518	Exxon Mobil Corp.	1 033	1 275	
30 748	Marathon Oil Corp.	611	715	
9 860	Occidental Petroleum Corp.	902	943	
9 457	Pioneer Natural Resources Co.	1 903	2 287	
		6 690	7 774	**7.1**
Financials				
76 343	Bank of America Corp.	1 661	2 270	
39 606	Bank of New York Mellon Corp.	2 019	2 520	
10 056	Chubb Ltd.	1 624	1 785	
19 338	Citigroup Inc.	1 248	1 543	
9 477	Prudential Financial Inc.	1 047	1 324	
11 112	S&P Global Inc.	1 049	1 604	
24 994	Suntrust Banks Inc.	1 300	1 841	
38 414	Synchrony Financial	1 542	1 871	
23 349	Zions Bancorporation	950	1 349	
		12 440	16 107	**14.7**
Health Care				
10 106	Aetna Inc.	$ 1 481	$ 1 683	
3 886	Biogen Inc.	1 535	1 481	
8 868	Bristol-Myers Squibb Co.	761	696	
11 610	Celgene Corp.	1 276	1 805	
9 628	Gilead Sciences Inc.	922	926	
4 635	Jazz Pharmaceuticals Plc.	731	679	
12 538	Johnson & Johnson	1 059	1 940	
2 573	McKesson Corp.	635	485	
17 550	Medtronic Plc.	1 591	1 679	
9 526	Pfizer Inc.	402	416	
7 562	Thermo Fisher Scientific Inc.	1 224	1 433	
		11 617	13 223	**12.1**
Industrials				
5 264	Carlisle Cos. Inc.	741	780	
6 079	General Dynamics Corp.	1 143	1 410	
30 462	General Electric Company	1 048	1 294	
12 767	Honeywell International Inc.	1 667	1 986	
14 427	Ingersoll-Rand Plc., Class A	1 008	1 454	
14 854	Johnson Controls International Plc.	847	821	
5 392	Raytheon Company	936	1 028	
22 622	Southwest Airlines	1 216	1 514	
8 790	Union Pacific Corp.	998	1 224	
		9 604	11 511	**10.5**
Information Technology				
10 439	Adobe Systems Inc.	1 230	1 443	
3 179	Alphabet Inc., Class C	1 478	3 297	
20 593	Apple Inc.	1 983	3 203	
9 182	Broadcom Ltd.	1 685	2 180	
34 119	Cisco Systems Inc.	1 338	1 386	
16 685	Facebook Inc., Class A	2 223	2 579	
7 965	Fidelity National Information Services Inc.	772	809	
6 786	Lam Research Corp.	613	963	
10 056	Microsemi Corp.	566	729	
43 709	Microsoft Corp.	1 495	3 647	
8 842	Skyworks Solutions Inc.	884	886	
14 053	Total System Services Inc.	912	925	
12 865	Visa Inc., Class A	1 223	1 350	
18 316	Western Digital Corp.	1 468	1 671	
		17 870	25 068	**22.9**
Materials				
8 937	Albemarle Corp.	911	1 033	
9 271	PPG Industries Inc.	1 170	1 180	
11 922	WestRock Co.	730	813	
		2 811	3 026	**2.8**
Real Estate				
7 552	Boston Properties Inc.	1 248	1 276	
5 645	Simon Property Group Inc.	1 453	1 349	
		2 701	2 625	**2.4**

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

PHILLIPS, HAGER & NORTH U.S. GROWTH FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
16 135	T-Mobile US Inc.	$ 886	$ 1 246	
		886	1 246	**1.1**
Utilities				
24 394	American Electric Power	2 016	2 062	
18 816	DTE Energy Company	2 174	2 489	
		4 190	4 551	**4.1**
TOTAL UNITED STATES EQUITIES		89 376	108 298	**98.8**
SHORT-TERM INVESTMENTS*		1 211	1 212	**1.1**
TOTAL INVESTMENTS		$ 90 587	109 510	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			160	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 109 670	**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 0.58% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 109 510**	$ 122 518
Cash	**81**	1 483
Due from investment dealers	**–**	2 102
Subscriptions receivable	**20**	13
Dividends receivable, interest accrued and other assets	**141**	156
TOTAL ASSETS	**109 752**	126 272
LIABILITIES		
Due to investment dealers	**–**	2 254
Redemptions payable	**40**	16
Accounts payable and accrued expenses	**42**	54
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**82**	2 324
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 109 670**	$ 123 948
Investments at cost	**$ 90 587**	$ 104 209
NAV		
SERIES A	**$ 1 532**	$ 2 289
ADVISOR SERIES	**$ 190**	$ 166
SERIES D	**$ 39 450**	$ 43 208
SERIES F	**$ 2 268**	$ 764
SERIES O	**$ 66 230**	$ 77 521
NAV PER UNIT		
SERIES A	**$ 22.22**	$ 21.82
ADVISOR SERIES	**$ 22.22**	$ 21.82
SERIES D	**$ 22.85**	$ 22.44
SERIES F	**$ 23.10**	$ 22.70
SERIES O	**$ 23.35**	$ 22.93

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 2 722**	$ 1 864
Interest for distribution purposes	**–**	24
Net realized gain (loss) on investments	**457**	35 985
Net gain (loss) on foreign currencies and other net assets	**(51)**	159
Change in unrealized gain (loss) on investments	**614**	(16 183)
TOTAL INCOME (LOSS)	**3 742**	21 849
EXPENSES (see notes – Fund Specific Information)		
Management fees	**394**	467
Administration fees	**86**	106
Independent Review Committee costs	**2**	3
GST/HST	**34**	39
Transaction costs	**73**	110
Withholding tax	**272**	196
TOTAL EXPENSES	**861**	921
INCREASE (DECREASE) IN NAV	**$ 2 881**	$ 20 928
INCREASE (DECREASE) IN NAV		
SERIES A	**$ (20)**	$ 349
ADVISOR SERIES	**$ 5**	$ 41
SERIES D	**$ 925**	$ 6 325
SERIES F	**$ 144**	$ 92
SERIES O	**$ 1 827**	$ 14 121
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ (0.32)**	$ 3.12
ADVISOR SERIES	**$ 0.60**	$ 3.11
SERIES D	**$ 0.51**	$ 3.37
SERIES F	**$ 1.77**	$ 3.46
SERIES O	**$ 0.60**	$ 3.69

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 2 881**	$ 20 928
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(382)**	(35 985)
Change in unrealized loss (gain) on investments	**(614)**	16 183
(Increase) decrease in accrued receivables	**15**	(100)
Increase (decrease) in accrued payables	**(12)**	3
Cost of investments purchased	**(89 221)**	(261 070)
Proceeds on sales of investments	**103 073**	280 451
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**15 740**	20 410
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**4 320**	8 414
Cash paid on redemption of redeemable units	**(20 411)**	(26 754)
Distributions paid to holders of redeemable units	**(1 051)**	(606)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (17 142)**	$ (18 946)
Net increase (decrease) in cash for the period	**(1 402)**	1 464
Cash (bank overdraft), beginning of period	**1 483**	19
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 81**	$ 1 483
Interest received (paid)	**$ –**	$ 24
Dividends received, net of withholding taxes	**$ 2 464**	$ 1 568

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 2 289**	$ 2 171	**$ 166**	$ 281	**$ 43 208**	$ 37 146	**$ 764**	$ 536
INCREASE (DECREASE) IN NAV	**(20)**	349	**5**	41	**925**	6 325	**144**	92
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**660**	160	**48**	62	**1 464**	5 490	**1 579**	307
Reinvestments of distributions to holders of redeemable units	**5**	–	**1**	–	**445**	37	**24**	2
Redemption of redeemable units	**(1 397)**	(391)	**(29)**	(218)	**(6 127)**	(5 752)	**(211)**	(171)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(732)**	(231)	**20**	(156)	**(4 218)**	(225)	**1 392**	138
Distributions from net income	**(5)**	–	**(1)**	–	**(465)**	(38)	**(32)**	(2)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(5)**	–	**(1)**	–	**(465)**	(38)	**(32)**	(2)
NET INCREASE (DECREASE) IN NAV	**(757)**	118	**24**	(115)	**(3 758)**	6 062	**1 504**	228
NAV AT END OF PERIOD	**$ 1 532**	$ 2 289	**$ 190**	$ 166	**$ 39 450**	$ 43 208	**$ 2 268**	$ 764

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 77 521**	$ 81 811	**$ 123 948**	$ 121 945
INCREASE (DECREASE) IN NAV	**1 827**	14 121	**2 881**	20 928
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**576**	2 235	**4 327**	8 254
Reinvestments of distributions to holders of redeemable units	**421**	325	**896**	364
Redemption of redeemable units	**(12 671)**	(20 041)	**(20 435)**	(26 573)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(11 674)**	(17 481)	**(15 212)**	(17 955)
Distributions from net income	**(1 444)**	(930)	**(1 947)**	(970)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(1 444)**	(930)	**(1 947)**	(970)
NET INCREASE (DECREASE) IN NAV	**(11 291)**	(4 290)	**(14 278)**	2 003
NAV AT END OF PERIOD	**$ 66 230**	$ 77 521	**$ 109 670**	$ 123 948

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Information Technology	**22.9**	23.5
Financials	**14.7**	17.1
Health Care	**12.1**	15.2
Consumer Discretionary	**11.9**	13.7
Industrials	**10.5**	8.8
Consumer Staples	**9.2**	8.9
Energy	**7.1**	6.1
Utilities	**4.1**	2.7
Materials	**2.8**	2.9
Real Estate	**2.4**	–
Telecommunication Services	**1.1**	–
Cash/Other	**1.2**	1.1
Total	**100.0**	100.0

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 2016**	December 31 2015
United States dollar	**99.9**	99.9
Total	**99.9**	99.9

As at December 31, 2016, 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, 2015 – 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 2016		December 31 2015	
S&P 500 Total Return Index (CAD)	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**108 298**	**–**	**–**	**108 298**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**1 212**	**–**	**1 212**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**108 298**	**1 212**	**–**	**109 510**
% of total portfolio	**98.9**	**1.1**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	122 518	–	–	122 518
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	122 518	–	–	122 518
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.07%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**50**	50
Advisor Series	**95**	95
Series F	**51**	51
Series O	**53**	52
Value of all units	**6**	6

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	30 249
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**105**	116
Issued number of units	**32**	7
Reinvested number of units	**–**	–
Redeemed number of units	**(68)**	(18)
Ending number of units	**69**	105
Advisor Series		
Opening units	**8**	15
Issued number of units	**2**	3
Reinvested number of units	**–**	–
Redeemed number of units	**(1)**	(10)
Ending number of units	**9**	8
Series D		
Opening units	**1 925**	1 936
Issued number of units	**68**	255
Reinvested number of units	**19**	2
Redeemed number of units	**(286)**	(268)
Ending number of units	**1 726**	1 925
Series F		
Opening units	**34**	28
Issued number of units	**73**	14
Reinvested number of units	**1**	–
Redeemed number of units	**(10)**	(8)
Ending number of units	**98**	34
Series O		
Opening units	**3 381**	4 174
Issued number of units	**26**	100
Reinvested number of units	**18**	14
Redeemed number of units	**(589)**	(907)
Ending number of units	**2 836**	3 381

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**73**	**100**	110	100
Related-party brokerage commissions*	**–**	**–**	15	14
Commission arrangements†	**20**	**27**	36	33

* 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
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
INTERNATIONAL EQUITIES				
Australia				
4 648 773	Oil Search Ltd.	$ 37 225	$ 32 124	
		37 225	32 124	**3.2**
Belgium				
283 661	Anheuser-Busch InBev S.A./N.V.	35 736	40 311	
		35 736	40 311	**4.0**
Denmark				
650 502	Novo Nordisk A/S	45 022	31 251	
		45 022	31 251	**3.1**
France				
139 160	Air Liquide S.A.	18 920	20 778	
300 846	Pernod-Ricard S.A.	45 494	43 713	
510 585	Safran S.A.	37 479	49 306	
		101 893	113 797	**11.2**
Germany				
40 856	Continental AG	9 765	10 591	
1 124 558	Deutsche Post AG	39 708	49 402	
		49 473	59 993	**5.9**
Hong Kong				
4 850 783	AIA Group Ltd.	30 513	36 484	
		30 513	36 484	**3.6**
India				
257 158	HDFC Bank Ltd.	4 039	6 704	
398 470	HDFC Bank Ltd. ADR	23 062	32 464	
		27 101	39 168	**3.9**
Ireland				
224 185	CRH Plc.	9 930	10 324	
195 047	Paddy Power Betfair Plc.	34 918	28 338	
		44 848	38 662	**3.8**
Japan				
1 551 997	Astellas Pharma Inc.	25 679	28 909	
1 739 900	Kubota Corp.	35 896	33 291	
362 512	Nidec Corp.	29 709	41 903	
398 200	Nippon Telegraph & Telephone Corp.	23 504	22 506	
395 000	Oriental Land Co. Ltd.	31 986	29 934	
2 610 000	Tokyo Gas Co. Ltd.	15 167	15 819	
154 400	Toyota Motor Corp.	12 518	12 154	
		174 459	184 516	**18.2**
Netherlands				
312 434	Akzo Nobel N.V.	$ 28 403	$ 26 213	
312 285	ASML Holding N.V.	37 957	46 990	
		66 360	73 203	**7.2**
Philippines				
3 935 170	Universal Robina Corp.	22 598	17 355	
		22 598	17 355	**1.7**
South Africa				
201 619	Naspers Ltd.	30 674	39 520	
		30 674	39 520	**3.9**
Sweden				
482 169	Svenska Cellulosa AB	14 095	18 211	
		14 095	18 211	**1.8**
Switzerland				
118 446	Roche Holdings AG Genusscheine	30 820	36 252	
31 413	Partners Group Holding AG	11 329	19 744	
1 462 269	UBS Group AG	28 651	30 697	
		70 800	86 693	**8.5**
Taiwan				
1 131 455	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	30 105	43 676	
		30 105	43 676	**4.3**
Thailand				
1 567 900	Kasikornbank PCL	9 965	10 399	
		9 965	10 399	**1.0**
United Kingdom				
2 584 101	BT Group Plc.	21 864	15 663	
690 048	InterContinental Hotels Group Plc.	41 762	41 427	
23 079 968	Lloyds TSB Group Plc.	29 356	23 795	
794 959	Royal Dutch Shell Plc., B Shares	32 978	30 668	
1 586 489	St James's Place Plc.	22 846	26 570	
		148 806	138 123	**13.6**
TOTAL INTERNATIONAL EQUITIES		939 673	1 003 486	**98.9**
SHORT-TERM INVESTMENTS*		7 875	7 875	**0.8**
TOTAL INVESTMENTS		$ 947 548	1 011 361	**99.7**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			2 892	**0.3**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$1 014 253	**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 0.75% to 0.86% and mature between January 3, 2017 and January 31, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 1 011 361**	$ 973 442
Cash	**124**	1 648
Subscriptions receivable	**3 532**	896
Dividends receivable, interest accrued and other assets	**481**	363
TOTAL ASSETS	**1 015 498**	976 349
LIABILITIES		
Redemptions payable	**998**	426
Accounts payable and accrued expenses	**247**	282
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**1 245**	708
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 1 014 253**	$ 975 641
Investments at cost	**$ 947 548**	$ 809 156
NAV		
SERIES A	**$ 2 888**	$ 3 664
ADVISOR SERIES	**$ 1 013**	$ 1 401
SERIES D	**$ 165 905**	$ 186 721
SERIES F	**$ 9 150**	$ 5 569
SERIES O	**$ 835 297**	$ 778 286
NAV PER UNIT		
SERIES A	**$ 12.55**	$ 13.81
ADVISOR SERIES	**$ 12.55**	$ 13.81
SERIES D	**$ 12.46**	$ 13.72
SERIES F	**$ 11.88**	$ 13.08
SERIES O	**$ 12.72**	$ 13.99

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 31 686**	$ 22 792
Interest for distribution purposes	**62**	98
Securities lending revenue (see note 6 in the generic notes)	**262**	244
Net realized gain (loss) on investments	**13 464**	37 829
Net gain (loss) on foreign currencies and other net assets	**(510)**	126
Change in unrealized gain (loss) on investments	**(100 473)**	129 170
TOTAL INCOME (LOSS)	**(55 509)**	190 259
EXPENSES (see notes – Fund Specific Information)		
Management fees	**1 939**	2 057
Administration fees	**915**	866
Independent Review Committee costs	**2**	3
GST/HST	**216**	224
Transaction costs	**1 844**	1 557
Withholding tax	**2 606**	2 367
TOTAL EXPENSES	**7 522**	7 074
INCREASE (DECREASE) IN NAV	**$ (63 031)**	$ 183 185
INCREASE (DECREASE) IN NAV		
SERIES A	**$ (319)**	$ 664
ADVISOR SERIES	**$ (124)**	$ 223
SERIES D	**$ (14 171)**	$ 32 808
SERIES F	**$ (367)**	$ 774
SERIES O	**$ (48 050)**	$ 148 716
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ (1.33)**	$ 2.38
ADVISOR SERIES	**$ (1.35)**	$ 2.38
SERIES D	**$ (1.06)**	$ 2.48
SERIES F	**$ (0.52)**	$ 2.38
SERIES O	**$ (0.78)**	$ 2.72

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ (63 031)**	$ 183 185
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(12 225)**	(37 829)
Change in unrealized loss (gain) on investments	**100 473**	(129 170)
(Increase) decrease in accrued receivables	**(118)**	36
Increase (decrease) in accrued payables	**(35)**	34
Cost of investments purchased	**(896 935)**	(712 892)
Proceeds on sales of investments	**770 768**	717 610
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(101 103)**	20 974
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**266 498**	173 416
Cash paid on redemption of redeemable units	**(159 424)**	(188 624)
Distributions paid to holders of redeemable units	**(7 495)**	(4 791)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 99 579**	$ (19 999)
Net increase (decrease) in cash for the period	**(1 524)**	975
Cash (bank overdraft), beginning of period	**1 648**	673
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 124**	$ 1 648
Interest received (paid)	**$ 62**	$ 98
Dividends received, net of withholding taxes	**$ 28 962**	$ 20 252

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 3 664**	$ 3 100	**$ 1 401**	$ 1 017	**$ 186 721**	$ 149 793	**$ 5 569**	$ 3 371
INCREASE (DECREASE) IN NAV	**(319)**	664	**(124)**	223	**(14 171)**	32 808	**(367)**	774
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**1 062**	1 194	**272**	753	**12 123**	20 330	**6 447**	2 167
Reinvestments of distributions to holders of redeemable units	**23**	–	**7**	–	**2 600**	1 379	**118**	26
Redemption of redeemable units	**(1 518)**	(1 294)	**(534)**	(592)	**(18 546)**	(16 106)	**(2 444)**	(712)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(433)**	(100)	**(255)**	161	**(3 823)**	5 603	**4 121**	1 481
Distributions from net income	**(24)**	–	**(9)**	–	**(2 822)**	(1 483)	**(173)**	(57)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(24)**	–	**(9)**	–	**(2 822)**	(1 483)	**(173)**	(57)
NET INCREASE (DECREASE) IN NAV	**(776)**	564	**(388)**	384	**(20 816)**	36 928	**3 581**	2 198
NAV AT END OF PERIOD	**$ 2 888**	$ 3 664	**$ 1 013**	$ 1 401	**$ 165 905**	$ 186 721	**$ 9 150**	$ 5 569

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 778 286**	$ 653 668	**$ 975 641**	$ 810 949
INCREASE (DECREASE) IN NAV	**(48 050)**	148 716	**(63 031)**	183 185
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**249 230**	148 749	**269 134**	173 193
Reinvestments of distributions to holders of redeemable units	**15 966**	11 388	**18 714**	12 793
Redemption of redeemable units	**(136 954)**	(168 191)	**(159 996)**	(186 895)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**128 242**	(8 054)	**127 852**	(909)
Distributions from net income	**(23 181)**	(16 044)	**(26 209)**	(17 584)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(23 181)**	(16 044)	**(26 209)**	(17 584)
NET INCREASE (DECREASE) IN NAV	**57 011**	124 618	**38 612**	164 692
NAV AT END OF PERIOD	**$ 835 297**	$ 778 286	**$ 1 014 253**	$ 975 641

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Europe ex-United Kingdom Equities	**45.5**	40.0
Japan Equities	**18.2**	20.2
Pacific Rim ex-Japan Equities	**17.7**	13.1
United Kingdom Equities	**13.6**	21.5
Middle East and Africa Equities	**3.9**	3.8
Cash/Other	**1.1**	1.4
Total	**100.0**	100.0

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 2016**	December 31 2015
Euro	**29.4**	27.7
Japanese yen	**18.2**	20.2
Pound sterling	**16.4**	19.4
Swiss franc	**8.6**	10.0
United States dollar	**7.5**	9.5
South African rand	**3.9**	3.8
Hong Kong dollar	**3.6**	3.3
Australian dollar	**3.2**	1.9
Danish krone	**3.1**	–
Swedish krona	**1.8**	2.4
Philippine peso	**1.7**	–
Thailand baht	**1.0**	–
Indian rupee	**0.7**	0.7
Total	**99.1**	98.9

As at December 31, 2016, 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, 2015 – 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 2016	December 31 2015
MSCI EAFE Total Return Net Index (CAD)	**+ or - 1.0**	+ or - 1.0

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**76 140**	**927 346**	**–**	**1 003 486**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**7 875**	**–**	**7 875**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**76 140**	**935 221**	**–**	**1 011 361**
% of total portfolio	**7.5**	**92.5**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	90 512	871 666	–	962 178
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 264	–	11 264
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	90 512	882 930	–	973 442
% of total portfolio	9.3	90.7	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.75%	0.15%
Advisor Series	1.75%	0.15%
Series D	1.00%	0.15%
Series F	0.75%	0.15%
Series O	n/a†	0.08%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.75% from 1.85%; for Series D units were reduced to 1.00% from 1.10%; and for Series F units were reduced to 0.75% from 0.85%.
† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**53**	53
Advisor Series	**103**	102
Series D	**56**	55
Series F	**60**	59
Value of all units	**3**	4

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	228 021
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**265**	271
Issued number of units	**83**	91
Reinvested number of units	**2**	–
Redeemed number of units	**(120)**	(97)
Ending number of units	**230**	265
Advisor Series		
Opening units	**101**	89
Issued number of units	**21**	57
Reinvested number of units	**1**	–
Redeemed number of units	**(42)**	(45)
Ending number of units	**81**	101
Series D		
Opening units	**13 614**	13 194
Issued number of units	**954**	1 553
Reinvested number of units	**210**	101
Redeemed number of units	**(1 462)**	(1 234)
Ending number of units	**13 316**	13 614
Series F		
Opening units	**426**	311
Issued number of units	**536**	170
Reinvested number of units	**10**	2
Redeemed number of units	**(202)**	(57)
Ending number of units	**770**	426
Series O		
Opening units	**55 634**	56 427
Issued number of units	**19 311**	11 055
Reinvested number of units	**1 265**	821
Redeemed number of units	**(10 530)**	(12 669)
Ending number of units	**65 680**	55 634

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**1 844**	**100**	1 557	100
Related-party brokerage commissions*	**92**	**5**	112	7
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 except %) (see note 6 in the generic notes)

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**161 798**	73 770
Fair value of collateral received	**165 034**	77 458

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

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Gross revenue	**402**	**100**	375	100
RBC IS (paid)	**(141)**	**(35)**	(131)	(35)
Tax withheld	**–**	**–**	–	–
Fund revenue	**261**	**65**	244	65

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 2016	December 31 2015
BonaVista Balanced Fund	**0.4**	–
BonaVista Global Balanced Fund	**0.1**	0.1
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	**16.0**	17.9
Phillips, Hager & North Overseas Equity Class	**5.2**	5.5
Total	**21.7**	23.5

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

December 31, 2016

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
12 776 471	Phillips, Hager & North Overseas Equity Fund*	$ 141 416	$ 162 487	
TOTAL MUTUAL FUND UNITS		141 416	162 487	**98.4**
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	3 347	**2.0**
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(1 234)	**(0.7)**
TOTAL PORTFOLIO		$ 141 416	164 600	**99.7**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			488	**0.3**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 165 088	**100.0**

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought PHP 4 700 Sold CAD 123 @ 38.1159	11-Jan-2017	$ 4
Bought PHP 2 000 Sold CAD 53 @ 37.7988	11-Jan-2017	1
Bought ZAR 2 000 Sold CAD 190 @ 10.5119	12-Jan-2017	5
Bought ZAR 2 000 Sold CAD 192 @ 10.4421	12-Jan-2017	4
Bought CAD 16 Sold INR 800 @ 0.0199	13-Jan-2017	–
Bought CAD 3 376 Sold DKK 17 209 @ 0.1962	13-Jan-2017	103
Bought CAD 153 Sold DKK 800 @ 0.1908	13-Jan-2017	1
Bought CAD 161 Sold DKK 840 @ 0.1917	13-Jan-2017	1
Bought INR 2 250 Sold CAD 44 @ 51.4217	13-Jan-2017	1
Bought INR 1 500 Sold CAD 29 @ 50.9195	13-Jan-2017	–
Bought INR 1 750 Sold CAD 34 @ 50.7836	13-Jan-2017	–
Bought INR 2 000 Sold CAD 39 @ 51.6157	13-Jan-2017	1
Bought INR 1 000 Sold CAD 20 @ 50.6567	13-Jan-2017	–
Bought CAD 3 971 Sold JPY 310 387 @ 0.0128	17-Jan-2017	402
Bought CAD 2 301 Sold AUD 2 306 @ 0.9977	17-Jan-2017	68
Bought CAD 100 Sold AUD 100 @ 1.0000	17-Jan-2017	3
Bought CAD 174 Sold AUD 175 @ 0.9969	17-Jan-2017	5
Bought CAD 166 Sold JPY 14 350 @ 0.0116	17-Jan-2017	1
Bought USD 80 Sold CAD 107 @ 0.7461	17-Jan-2017	–
Bought USD 200 Sold CAD 268 @ 0.7461	17-Jan-2017	–
Bought USD 150 Sold CAD 202 @ 0.7435	17-Jan-2017	–
Bought CAD 14 143 Sold EUR 9 757 @ 1.4495	18-Jan-2017	344
Bought CAD 485 Sold EUR 340 @ 1.4264	18-Jan-2017	4
Bought CAD 727 Sold HKD 4 155 @ 0.1749	20-Jan-2017	7
Bought CAD 5 282 Sold JPY 415 000 @ 0.0127	24-Jan-2017	510
Bought CAD 506 Sold JPY 40 000 @ 0.0126	24-Jan-2017	46
Bought CAD 707 Sold JPY 60 000 @ 0.0118	24-Jan-2017	17
Bought JPY 460 000 Sold CAD 5 236 @ 87.8550	24-Jan-2017	54
Bought CAD 579 Sold SEK 3 888 @ 0.1490	27-Jan-2017	6
Bought CAD 3 701 Sold JPY 289 043 @ 0.0128	27-Jan-2017	376
Bought CAD 157 Sold GBP 94 @ 1.6699	27-Jan-2017	1
Bought CAD 499 Sold GBP 300 @ 1.6639	27-Jan-2017	3
Bought CAD 500 Sold GBP 300 @ 1.6661	27-Jan-2017	3

SCHEDULE A (cont.)
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 250 Sold JPY 21 711 @ 0.0115	27-Jan-2017	$ –
Bought CAD 4 037 Sold CHF 2 963 @ 1.3626	01-Feb-2017	123
Bought CAD 224 Sold CHF 170 @ 1.3189	01-Feb-2017	–
Bought CHF 144 Sold CAD 191 @ 0.7551	01-Feb-2017	–
Bought CAD 933 Sold PHP 34 000 @ 0.0274	07-Feb-2017	18
Bought CAD 39 Sold PHP 1 430 @ 0.0270	07-Feb-2017	–
Bought CAD 108 Sold PHP 4 000 @ 0.0271	07-Feb-2017	1
Bought CAD 2 214 Sold USD 1 647 @ 1.3443	08-Feb-2017	4
Bought CAD 8 694 Sold CHF 6 361 @ 1.3668	08-Feb-2017	288
Bought CAD 6 800 Sold EUR 4 629 @ 1.4689	08-Feb-2017	247
Bought CAD 7 917 Sold EUR 5 539 @ 1.4294	08-Feb-2017	77
Bought HKD 800 Sold CAD 136 @ 5.8980	08-Feb-2017	3
Bought HKD 1 000 Sold CAD 169 @ 5.9196	08-Feb-2017	4
Bought USD 250 Sold CAD 332 @ 0.7528	08-Feb-2017	3
Bought CAD 84 Sold HKD 488 @ 0.1724	10-Feb-2017	–
Bought CAD 15 Sold SEK 100 @ 0.1463	10-Feb-2017	–
Bought CAD 24 Sold SEK 163 @ 0.1459	10-Feb-2017	–
Bought CAD 50 Sold HKD 285 @ 0.1737	10-Feb-2017	–
Bought CAD 2 544 Sold AUD 2 494 @ 1.0202	15-Feb-2017	132
Bought CAD 42 Sold AUD 43 @ 0.9711	15-Feb-2017	–
Bought CAD 13 Sold THB 358 @ 0.0376	17-Feb-2017	–
Bought CAD 10 896 Sold JPY 908 551 @ 0.0120	23-Feb-2017	437
Bought CAD 1 823 Sold AUD 1 850 @ 0.9852	01-Mar-2017	34
Bought CAD 148 Sold AUD 150 @ 0.9865	01-Mar-2017	3
Bought CAD 49 Sold AUD 50 @ 0.9817	01-Mar-2017	1
Bought CAD 221 Sold GBP 133 @ 1.6585	09-Mar-2017	1
		$ 3 347

Contracts	Maturity Date	Unrealized Loss
Bought CAD 1 949 Sold PHP 72 880 @ 0.0267	11-Jan-2017	$ (18)
Bought PHP 3 600 Sold CAD 98 @ 36.7635	11-Jan-2017	(1)
Bought CAD 190 Sold ZAR 2 000 @ 0.0948	12-Jan-2017	(5)
Bought CAD 51 Sold ZAR 538 @ 0.0956	12-Jan-2017	(1)
Bought CAD 1 220 Sold INR 62 300 @ 0.0196	13-Jan-2017	(11)
Bought DKK 750 Sold CAD 144 @ 5.2169	13-Jan-2017	(1)
Bought AUD 175 Sold CAD 178 @ 0.9855	17-Jan-2017	(8)
Bought AUD 460 Sold CAD 474 @ 0.9713	17-Jan-2017	(28)
Bought AUD 129 Sold CAD 132 @ 0.9771	17-Jan-2017	(7)
Bought AUD 85 Sold CAD 87 @ 0.9811	17-Jan-2017	(4)
Bought AUD 180 Sold CAD 184 @ 0.9789	17-Jan-2017	(10)
Bought CAD 5 697 Sold GBP 3 562 @ 1.5993	17-Jan-2017	(199)
Bought CAD 6 015 Sold USD 4 583 @ 1.3124	17-Jan-2017	(137)
Bought CAD 3 250 Sold USD 2 475 @ 1.3130	17-Jan-2017	(73)
Bought CAD 79 Sold USD 60 @ 1.3218	17-Jan-2017	(1)
Bought USD 350 Sold CAD 471 @ 0.7436	17-Jan-2017	(1)
Bought CAD 1 420 Sold HKD 8 337 @ 0.1703	20-Jan-2017	(23)
Bought CAD 32 Sold HKD 190 @ 0.1703	20-Jan-2017	(1)
Bought CAD 186 Sold ZAR 2 000 @ 0.0929	23-Jan-2017	(9)
Bought CAD 1 666 Sold ZAR 17 590 @ 0.0947	23-Jan-2017	(45)

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

December 31, 2016

SCHEDULE A (cont.)
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Loss
Bought CAD 1 897 Sold GBP 1 147 @ 1.6536	27-Jan-2017	$ (2)
Bought CAD 11 821 Sold GBP 7 147 @ 1.6540	27-Jan-2017	(10)
Bought CAD 4 369 Sold JPY 385 000 @ 0.0113	27-Jan-2017	(59)
Bought CAD 802 Sold CHF 616 @ 1.3024	01-Feb-2017	(12)
Bought CAD 117 Sold CHF 89 @ 1.3108	01-Feb-2017	(1)
Bought CAD 657 Sold CHF 498 @ 1.3196	08-Feb-2017	(1)
Bought CAD 145 Sold USD 110 @ 1.3202	08-Feb-2017	(2)
Bought CAD 1 538 Sold ZAR 16 300 @ 0.0944	08-Feb-2017	(42)
Bought CAD 2 883 Sold ZAR 30 570 @ 0.0943	08-Feb-2017	(81)
Bought CAD 2 093 Sold HKD 12 333 @ 0.1697	08-Feb-2017	(42)
Bought CAD 1 285 Sold DKK 6 863 @ 0.1873	08-Feb-2017	(22)
Bought CAD 94 Sold DKK 500 @ 0.1877	08-Feb-2017	(1)
Bought CAD 75 Sold DKK 400 @ 0.1880	08-Feb-2017	(1)
Bought CAD 107 Sold DKK 570 @ 0.1886	08-Feb-2017	(1)
Bought CAD 1 791 Sold HKD 10 359 @ 0.1729	10-Feb-2017	(2)
Bought CAD 565 Sold SEK 3 864 @ 0.1463	10-Feb-2017	(5)
Bought CAD 72 Sold SEK 500 @ 0.1435	10-Feb-2017	(2)
Bought CAD 51 Sold SEK 355 @ 0.1433	10-Feb-2017	(2)
Bought AUD 95 Sold CAD 94 @ 1.0122	15-Feb-2017	(2)
Bought AUD 820 Sold CAD 804 @ 1.0193	15-Feb-2017	(11)
Bought CAD 1 774 Sold USD 1 324 @ 1.3401	16-Feb-2017	(2)
Bought CAD 704 Sold THB 19 000 @ 0.0371	17-Feb-2017	(7)
Bought CAD 891 Sold THB 24 000 @ 0.0371	17-Feb-2017	(8)
Bought JPY 44 900 Sold CAD 518 @ 86.6320	23-Feb-2017	(1)
Bought CAD 1 592 Sold SEK 10 869 @ 0.1465	27-Feb-2017	(14)
Bought CAD 5 203 Sold GBP 3 146 @ 1.6540	09-Mar-2017	(7)
Bought CAD 17 060 Sold EUR 12 241 @ 1.3936	09-Mar-2017	(287)
Bought CAD 1 375 Sold EUR 980 @ 1.4031	09-Mar-2017	(15)
Bought CAD 7 213 Sold JPY 626 771 @ 0.0115	17-Mar-2017	(9)
		$ (1 234)
TOTAL FOREIGN EXCHANGE		$ 2 113

All counterparties have a credit rating of at least A.

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

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 162 487**	$ 174 877
Cash	**452**	466
Subscriptions receivable	**96**	48
Unrealized gain on foreign exchange contracts	**3 347**	1 026
TOTAL ASSETS	**166 382**	176 417
LIABILITIES		
Redemptions payable	**22**	336
Unrealized loss on foreign exchange contracts	**1 234**	4 575
Accounts payable and accrued expenses	**38**	42
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**1 294**	4 953
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 165 088**	$ 171 464
Investments at cost	**$ 141 416**	$ 132 813
NAV		
SERIES A	**$ 570**	$ 733
ADVISOR SERIES	**$ 1 675**	$ 1 675
SERIES D	**$ 13 610**	$ 11 977
SERIES F	**$ 2 956**	$ 3 268
SERIES O	**$ 146 277**	$ 153 811
NAV PER UNIT		
SERIES A	**$ 9.38**	$ 9.73
ADVISOR SERIES	**$ 9.39**	$ 9.73
SERIES D	**$ 9.13**	$ 9.46
SERIES F	**$ 9.22**	$ 9.55
SERIES O	**$ 9.26**	$ 9.59

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Other income received from underlying funds	**$ 4 558**	$ 3 666
Net realized gain (loss) on investments	**5 233**	8 086
Net gain (loss) on foreign currencies and other net assets	**4 336**	(15 129)
Change in unrealized gain (loss) on investments	**(15 331)**	16 118
TOTAL INCOME (LOSS)	**(1 204)**	12 741
EXPENSES (see notes – Fund Specific Information)		
Management fees	**214**	198
Administration fees	**234**	236
Independent Review Committee costs	**2**	3
GST/HST	**40**	37
TOTAL EXPENSES	**490**	474
INCREASE (DECREASE) IN NAV	**$ (1 694)**	$ 12 267
INCREASE (DECREASE) IN NAV		
SERIES A	**$ (24)**	$ 42
ADVISOR SERIES	**$ (34)**	$ (32)
SERIES D	**$ (14)**	$ 911
SERIES F	**$ (30)**	$ 66
SERIES O	**$ (1 592)**	$ 11 280
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ (0.37)**	$ 0.53
ADVISOR SERIES	**$ (0.18)**	$ 0.51
SERIES D	**$ (0.01)**	$ 0.60
SERIES F	**$ (0.08)**	$ 0.62
SERIES O	**$ (0.10)**	$ 0.72

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ (1 694)**	$ 12 267
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(5 233)**	(8 086)
Change in unrealized loss (gain) on investments	**15 331**	(16 118)
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**(4)**	8
Cost of investments purchased	**(35 433)**	(46 687)
Proceeds on sales of investments	**32 063**	33 769
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**5 030**	(24 847)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**31 549**	56 610
Cash paid on redemption of redeemable units	**(34 099)**	(29 634)
Distributions paid to holders of redeemable units	**(2 494)**	(1 934)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (5 044)**	$ 25 042
Net increase (decrease) in cash for the period	**(14)**	195
Cash (bank overdraft), beginning of period	**466**	271
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 452**	$ 466
Interest received (paid)	**$ –**	$ –
Dividends received, net of withholding taxes	**$ –**	$ –

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

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 733**	$ 606	**$ 1 675**	$ 111	**$ 11 977**	$ 11 692	**$ 3 268**	$ 700
INCREASE (DECREASE) IN NAV	**(24)**	42	**(34)**	(32)	**(14)**	911	**(30)**	66
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**8**	303	**370**	1 811	**3 872**	912	**1 235**	3 850
Reinvestments of distributions to holders of redeemable units	**4**	–	**10**	–	**188**	87	**33**	25
Redemption of redeemable units	**(147)**	(218)	**(335)**	(215)	**(2 207)**	(1 527)	**(1 498)**	(1 339)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(135)**	85	**45**	1 596	**1 853**	(528)	**(230)**	2 536
Distributions from net income	**(4)**	–	**(11)**	–	**(206)**	(98)	**(52)**	(34)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(4)**	–	**(11)**	–	**(206)**	(98)	**(52)**	(34)
NET INCREASE (DECREASE) IN NAV	**(163)**	127	**–**	1 564	**1 633**	285	**(312)**	2 568
NAV AT END OF PERIOD	**$ 570**	$ 733	**$ 1 675**	$ 1 675	**$ 13 610**	$ 11 977	**$ 2 956**	$ 3 268

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 153 811**	$ 121 375	**$ 171 464**	$ 134 484
INCREASE (DECREASE) IN NAV	**(1 592)**	11 280	**(1 694)**	12 267
Early redemption fees	**–**	1	**–**	1
Proceeds from redeemable units issued	**26 112**	49 731	**31 597**	56 607
Reinvestments of distributions to holders of redeemable units	**1 347**	1 135	**1 582**	1 247
Redemption of redeemable units	**(29 598)**	(26 662)	**(33 785)**	(29 961)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(2 139)**	24 205	**(606)**	27 894
Distributions from net income	**(3 803)**	(3 049)	**(4 076)**	(3 181)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(3 803)**	(3 049)	**(4 076)**	(3 181)
NET INCREASE (DECREASE) IN NAV	**(7 534)**	32 436	**(6 376)**	36 980
NAV AT END OF PERIOD	**$ 146 277**	$ 153 811	**$ 165 088**	$ 171 464

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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.

Concentration risk (%)

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

Investment mix	**December 31 2016**	December 31 2015
Europe ex-United Kingdom Equities	**45.0**	40.9
Japan Equities	**17.9**	20.5
Pacific Rim ex-Japan Equities	**17.4**	13.3
United Kingdom Equities	**13.4**	21.9
Middle East and Africa Equities	**3.8**	3.9
Cash/Other	**2.5**	(0.5)
Total	**100.0**	100.0

Currency risk (% of net assets)

Since the currency risk of the underlying 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 2016		December 31 2015	
MSCI EAFE Total Return Net Index (hedged to CAD)	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**–**	**–**	**–**	**–**
Mutual fund units	**162 487**	**–**	**–**	**162 487**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**3 347**	**–**	**3 347**
Derivatives – liabilities	**–**	**(1 234)**	**–**	**(1 234)**
Total financial instruments	**162 487**	**2 113**	**–**	**164 600**
% of total portfolio	**98.7**	**1.3**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	174 877	–	–	174 877
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 026	–	1 026
Derivatives – liabilities	–	(4 575)	–	(4 575)
Total financial instruments	174 877	(3 549)	–	171 328
% of total portfolio	102.1	(2.1)	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.75%	0.15%
Advisor Series	1.75%	0.15%
Series D	1.00%	0.15%
Series F	0.75%	0.15%
Series O	n/a†	0.14%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.75% from 1.85%; for Series D units were reduced to 1.00% from 1.10%; and for Series F units were reduced to 0.75% from 0.85%.

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

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

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

December 31, 2016

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 2016	December 31 2015
Units held		
Series A	**66**	66
Advisor Series	**130**	129
Series D	**72**	71
Series F	**72**	71
Series O	**76**	74
Value of all units	**4**	4

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual fund as a percentage of NAV, and the Fund's ownership interest as a percentage of the net assets of the underlying fund ("Ownership"). The underlying fund is established and conducts business in Canada, and has an associate relationship to the Fund.

	December 31 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Overseas Equity Fund	**98.4**	**16.0**	102.0	17.9

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	5 127
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**75**	67
Issued number of units	**2**	30
Reinvested number of units	**–**	–
Redeemed number of units	**(16)**	(22)
Ending number of units	**61**	75
Advisor Series		
Opening units	**172**	12
Issued number of units	**41**	182
Reinvested number of units	**1**	–
Redeemed number of units	**(36)**	(22)
Ending number of units	**178**	172
Series D		
Opening units	**1 266**	1 322
Issued number of units	**445**	95
Reinvested number of units	**21**	9
Redeemed number of units	**(242)**	(160)
Ending number of units	**1 490**	1 266
Series F		
Opening units	**342**	78
Issued number of units	**139**	398
Reinvested number of units	**4**	3
Redeemed number of units	**(164)**	(137)
Ending number of units	**321**	342
Series O		
Opening units	**16 036**	13 542
Issued number of units	**2 878**	5 144
Reinvested number of units	**146**	118
Redeemed number of units	**(3 261)**	(2 768)
Ending number of units	**15 799**	16 036

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
GLOBAL EQUITIES				
Belgium				
32 490	Anheuser-Busch InBev S.A./N.V.	$ 4 469	$ 4 617	
		4 469	4 617	**2.9**
Denmark				
72 818	Novo Nordisk A/S	4 508	3 498	
		4 508	3 498	**2.2**
France				
30 440	Pernod-Ricard S.A.	4 603	4 423	
46 299	Safran S.A.	3 633	4 471	
		8 236	8 894	**5.6**
Germany				
126 174	Deutsche Post AG	4 782	5 543	
		4 782	5 543	**3.5**
Hong Kong				
225 504	AIA Group Ltd.	1 547	1 696	
		1 547	1 696	**1.1**
India				
67 424	HDFC Bank Ltd. ADR	4 548	5 493	
		4 548	5 493	**3.4**
Ireland				
27 866	Paddy Power Betfair Plc.	4 638	4 049	
		4 638	4 049	**2.5**
Japan				
107 500	Kubota Corp.	2 052	2 057	
25 900	Nidec Corp.	2 961	2 994	
		5 013	5 051	**3.2**
Netherlands				
30 074	ASML Holding N.V.	4 233	4 525	
		4 233	4 525	**2.8**
South Africa				
23 055	Naspers Ltd.	3 667	4 519	
		3 667	4 519	**2.8**
Switzerland				
13 422	Roche Holdings AG Genusscheine	4 347	4 108	
		4 347	4 108	**2.6**
Taiwan				
94 786	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	2 757	3 659	
		2 757	3 659	**2.3**
United Kingdom				
83 221	InterContinental Hotels Group Plc.	4 874	4 996	
174 818	St. James's Place Plc.	2 603	2 928	
		7 477	7 924	**4.9**
United States				
83 400	Activision Blizzard Inc.	$ 4 573	$ 4 043	
5 936	Alphabet Inc., Class A	5 048	6 319	
5 048	Amazon.com, Inc.	3 100	5 085	
153 124	Blackstone Group LP	5 636	5 557	
36 078	Citigroup Inc.	2 368	2 879	
22 111	Core Laboratories N.V.	3 438	3 564	
51 529	Danaher Corp.	4 371	5 389	
48 388	EOG Resources Inc.	5 400	6 569	
48 718	Estée Lauder Companies Inc., Class A	4 880	5 003	
54 799	First Republic Bank	3 647	6 779	
79 652	Fortive Corp.	5 014	5 738	
33 465	Gartner Inc.	4 220	4 541	
20 167	International Flavors & Fragrances Inc.	3 072	3 191	
38 864	Intuit Inc.	5 185	5 980	
11 000	MarketAxess Holdings Inc.	2 411	2 170	
21 105	Occidental Petroleum Corp.	2 098	2 019	
23 294	Sempra Energy	3 302	3 148	
18 900	SVB Financial Group	3 726	4 356	
56 516	TJX Companies Inc.	4 456	5 704	
31 350	UnitedHealth Group Incorporated	4 219	6 740	
		80 164	94 774	**59.4**
TOTAL GLOBAL EQUITIES		140 386	158 350	**99.2**
SHORT-TERM INVESTMENTS*		1 095	1 095	**0.7**
TOTAL INVESTMENTS		$ 141 481	159 445	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			187	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 159 632	**100.0**

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought ZAR 545 Sold CAD 53 @ 10.2430	03-Jan-2017	$ –
Bought JPY 5 240 Sold CAD 61 @ 86.5005	04-Jan-2017	–
TOTAL FOREIGN EXCHANGE		$ –

All counterparties have a credit rating of at least A.

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.50% to 0.82% and mature between January 3, 2017 and January 20, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 159 445**	$ 120 206
Cash	**323**	475
Subscriptions receivable	**194**	317
Dividends receivable, interest accrued and other assets	**77**	40
TOTAL ASSETS	**160 039**	121 038
LIABILITIES		
Due to investment dealers	**114**	–
Redemptions payable	**212**	54
Accounts payable and accrued expenses	**81**	76
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**407**	130
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 159 632**	$ 120 908
Investments at cost	**$ 141 481**	$ 95 507
NAV		
SERIES A	**$ 6 953**	$ 7 246
ADVISOR SERIES	**$ 3 353**	$ 3 686
SERIES D	**$ 52 931**	$ 52 874
SERIES F	**$ 7 292**	$ 2 536
SERIES O	**$ 89 103**	$ 54 566
NAV PER UNIT		
SERIES A	**$ 14.36**	$ 14.47
ADVISOR SERIES	**$ 14.36**	$ 14.47
SERIES D	**$ 14.67**	$ 14.69
SERIES F	**$ 14.86**	$ 14.87
SERIES O	**$ 15.06**	$ 15.08

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 2 499**	$ 2 044
Interest for distribution purposes	**4**	10
Securities lending revenue (see note 6 in the generic notes)	**8**	9
Net realized gain (loss) on investments	**6 144**	5 970
Net gain (loss) on foreign currencies and other net assets	**(38)**	22
Change in unrealized gain (loss) on investments	**(6 735)**	15 485
TOTAL INCOME (LOSS)	**1 882**	23 540
EXPENSES (see notes – Fund Specific Information)		
Management fees	**722**	582
Administration fees	**94**	86
Independent Review Committee costs	**2**	3
GST/HST	**73**	56
Transaction costs	**239**	184
Withholding tax	**230**	247
TOTAL EXPENSES	**1 360**	1 158
INCREASE (DECREASE) IN NAV	**$ 522**	$ 22 382
INCREASE (DECREASE) IN NAV		
SERIES A	**$ (55)**	$ 1 006
ADVISOR SERIES	**$ (62)**	$ 306
SERIES D	**$ 67**	$ 9 076
SERIES F	**$ 63**	$ 215
SERIES O	**$ 509**	$ 11 779
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ (0.11)**	$ 2.63
ADVISOR SERIES	**$ (0.25)**	$ 2.62
SERIES D	**$ 0.02**	$ 2.79
SERIES F	**$ 0.26**	$ 2.85
SERIES O	**$ 0.14**	$ 3.04

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 522**	$ 22 382
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(5 968)**	(5 970)
Change in unrealized loss (gain) on investments	**6 735**	(15 485)
(Increase) decrease in accrued receivables	**(37)**	11
Increase (decrease) in accrued payables	**5**	25
Cost of investments purchased	**(141 275)**	(105 518)
Proceeds on sales of investments	**101 383**	103 366
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(38 635)**	(1 189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**70 156**	26 064
Cash paid on redemption of redeemable units	**(30 957)**	(24 278)
Distributions paid to holders of redeemable units	**(716)**	(155)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 38 483**	$ 1 631
Net increase (decrease) in cash for the period	**(152)**	442
Cash (bank overdraft), beginning of period	**475**	33
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 323**	$ 475
Interest received (paid)	**$ 4**	$ 10
Dividends received, net of withholding taxes	**$ 2 231**	$ 1 796

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 7 246**	$ 3 640	**$ 3 686**	$ 879	**$ 52 874**	$ 36 737	**$ 2 536**	$ 435
INCREASE (DECREASE) IN NAV	**(55)**	1 006	**(62)**	306	**67**	9 076	**63**	215
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**896**	3 073	**936**	3 070	**8 527**	12 563	**5 814**	2 252
Reinvestments of distributions to holders of redeemable units	**–**	–	**–**	–	**122**	217	**31**	15
Redemption of redeemable units	**(1 134)**	(473)	**(1 207)**	(569)	**(8 534)**	(5 496)	**(1 118)**	(364)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(238)**	2 600	**(271)**	2 501	**115**	7 284	**4 727**	1 903
Distributions from net income	**–**	–	**–**	–	**(125)**	(223)	**(34)**	(17)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**–**	–	**–**	–	**(125)**	(223)	**(34)**	(17)
NET INCREASE (DECREASE) IN NAV	**(293)**	3 606	**(333)**	2 807	**57**	16 137	**4 756**	2 101
NAV AT END OF PERIOD	**$ 6 953**	$ 7 246	**$ 3 353**	$ 3 686	**$ 52 931**	$ 52 874	**$ 7 292**	$ 2 536

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 54 566**	$ 48 282	**$ 120 908**	$ 89 973
INCREASE (DECREASE) IN NAV	**509**	11 779	**522**	22 382
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**53 860**	5 388	**70 033**	26 346
Reinvestments of distributions to holders of redeemable units	**472**	679	**625**	911
Redemption of redeemable units	**(19 122)**	(10 736)	**(31 115)**	(17 638)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**35 210**	(4 669)	**39 543**	9 619
Distributions from net income	**(1 182)**	(826)	**(1 341)**	(1 066)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(1 182)**	(826)	**(1 341)**	(1 066)
NET INCREASE (DECREASE) IN NAV	**34 537**	6 284	**38 724**	30 935
NAV AT END OF PERIOD	**$ 89 103**	$ 54 566	**$ 159 632**	$ 120 908

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
United States Equities	**59.4**	56.1
Europe ex-United Kingdom Equities	**22.1**	17.6
Pacific Rim ex-Japan Equities	**6.8**	8.9
United Kingdom Equities	**4.9**	9.1
Japan Equities	**3.2**	3.6
Middle East and Africa Equities	**2.8**	3.0
Cash/Other	**0.8**	1.7
Total	**100.0**	100.0

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 2016**	December 31 2015
United States dollar	**65.3**	63.5
Euro	**14.8**	13.9
Pound sterling	**7.5**	9.1
Japanese yen	**3.2**	3.6
South African rand	**2.8**	3.0
Swiss franc	**2.6**	3.7
Danish krone	**2.2**	–
Hong Kong dollar	**1.1**	1.9
Total	**99.5**	98.7

As at December 31, 2016, 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, 2015 – 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 2016		December 31 2015	
MSCI World Total Return Net Index (CAD)	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**103 926**	**54 424**	**–**	**158 350**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**1 095**	**–**	**1 095**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**103 926**	**55 519**	**–**	**159 445**
% of total portfolio	**65.2**	**34.8**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	76 287	42 566	–	118 853
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 353	–	1 353
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	76 287	43 919	–	120 206
% of total portfolio	63.5	36.5	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	1.75%	0.10%
Advisor Series	1.75%	0.10%
Series D	1.00%	0.10%
Series F	0.75%	0.10%
Series O	n/a*	0.06%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**67**	67
Advisor Series	**130**	130
Series D	**69**	68
Series F	**70**	69
Series O	**73**	72
Value of all units	**6**	6

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	64 164
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**501**	308
Issued number of units	**65**	228
Reinvested number of units	**–**	–
Redeemed number of units	**(82)**	(35)
Ending number of units	**484**	501
Advisor Series		
Opening units	**255**	74
Issued number of units	**67**	224
Reinvested number of units	**–**	–
Redeemed number of units	**(89)**	(43)
Ending number of units	**233**	255
Series D		
Opening units	**3 600**	3 076
Issued number of units	**607**	911
Reinvested number of units	**8**	15
Redeemed number of units	**(606)**	(402)
Ending number of units	**3 609**	3 600
Series F		
Opening units	**171**	36
Issued number of units	**397**	160
Reinvested number of units	**2**	1
Redeemed number of units	**(79)**	(26)
Ending number of units	**491**	171
Series O		
Opening units	**3 619**	3 938
Issued number of units	**3 612**	386
Reinvested number of units	**31**	45
Redeemed number of units	**(1 345)**	(750)
Ending number of units	**5 917**	3 619

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**239**	**100**	184	100
Related-party brokerage commissions*	**2**	**1**	15	8
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 except %) (see note 6 in the generic notes)

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**14 152**	1 562
Fair value of collateral received	**14 435**	1 640

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

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Gross revenue	**12**	**100**	13	100
RBC IS (paid)	**(4)**	**(35)**	(4)	(35)
Tax withheld	**–**	**(2)**	–	–
Fund revenue	**8**	**63**	9	65

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
GLOBAL EQUITIES				
Denmark				
69 566	Novo Nordisk A/S	$ 4 775	$ 3 342	
		4 775	3 342	**2.5**
France				
52 209	Safran S.A.	3 932	5 042	
		3 932	5 042	**3.7**
Germany				
134 121	Deutsche Post AG	4 791	5 892	
		4 791	5 892	**4.4**
Hong Kong				
392 800	AIA Group Ltd.	3 228	2 954	
		3 228	2 954	**2.2**
India				
47 100	HDFC Bank Ltd. ADR	3 958	3 837	
		3 958	3 837	**2.8**
Japan				
138 970	Astellas Pharma Inc.	2 568	2 589	
132 900	Kubota Corp.	2 762	2 543	
27 300	Nidec Corp.	2 605	3 156	
312 000	Tokyo Gas Co. Ltd.	1 718	1 891	
		9 653	10 179	**7.6**
Netherlands				
27 638	ASML Holding N.V.	3 949	4 159	
		3 949	4 159	**3.1**
Philippines				
470 850	Universal Robina Corp.	2 378	2 077	
		2 378	2 077	**1.5**
South Africa				
19 880	Naspers Ltd.	3 053	3 897	
		3 053	3 897	**2.9**
Switzerland				
14 286	Roche Holdings AG Genusscheine	4 187	4 372	
		4 187	4 372	**3.2**
Taiwan				
96 060	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	2 553	3 708	
		2 553	3 708	**2.8**
United Kingdom				
81 384	Britvic Plc.	1 028	763	
189 643	BT Group Plc.	1 546	1 149	
84 141	InterContinental Hotels Group Plc.	4 979	5 051	
154 989	St James's Place Plc.	2 166	2 596	
		9 719	9 559	**7.1**
United States				
75 800	Activision Blizzard Inc.	$ 4 152	$ 3 675	
5 281	Alphabet Inc., Class A	3 981	5 622	
13 300	American Water Works Co. Inc.	1 281	1 292	
129 014	Blackstone Group LP	4 767	4 682	
15 300	Core Laboratories N.V.	2 451	2 466	
46 462	Danaher Corp.	3 338	4 859	
17 015	Ecolab Inc.	2 627	2 678	
36 150	EOG Resources Inc.	3 878	4 907	
48 310	Estée Lauder Companies Inc., Class A	4 629	4 961	
43 947	First Republic Bank	2 371	5 437	
61 131	Fortive Corp.	3 518	4 404	
30 767	Gartner Inc.	3 739	4 175	
14 355	International Flavors & Fragrances Inc.	1 845	2 271	
35 630	Intuit Inc.	4 500	5 483	
9 100	MarketAxess Holdings Inc.	2 045	1 795	
17 176	Occidental Petroleum Corp.	1 784	1 643	
15 200	SVB Financial Group	3 067	3 503	
50 264	TJX Companies Inc.	3 565	5 073	
27 665	UnitedHealth Group Incorporated	2 816	5 948	
		60 354	74 874	**55.6**
TOTAL GLOBAL EQUITIES		116 530	133 892	**99.4**
SHORT-TERM INVESTMENTS*		736	736	**0.5**
TOTAL INVESTMENTS		$ 117 266	134 628	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			134	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 134 762	**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 0.50% and mature on January 3, 2017.

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)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 134 628**	$ 122 648
Cash	**62**	288
Subscriptions receivable	**86**	173
Dividends receivable, interest accrued and other assets	**99**	79
TOTAL ASSETS	**134 875**	123 188
LIABILITIES		
Redemptions payable	**67**	30
Accounts payable and accrued expenses	**46**	40
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**113**	70
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 134 762**	$ 123 118
Investments at cost	**$ 117 266**	$ 97 768
NAV		
SERIES A	**$ 3 347**	$ 3 528
ADVISOR SERIES	**$ 4 947**	$ 3 010
SERIES D	**$ 12 050**	$ 13 458
SERIES F	**$ 4 553**	$ 1 900
SERIES O	**$ 109 865**	$ 101 222
NAV PER UNIT		
SERIES A	**$ 13.03**	$ 13.70
ADVISOR SERIES	**$ 13.03**	$ 13.70
SERIES D	**$ 12.98**	$ 13.63
SERIES F	**$ 12.98**	$ 13.62
SERIES O	**$ 13.21**	$ 13.87

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 2 828**	$ 2 355
Interest for distribution purposes	**11**	12
Securities lending revenue (see note 6 in the generic notes)	**9**	8
Net realized gain (loss) on investments	**7 550**	8 347
Net gain (loss) on foreign currencies and other net assets	**(22)**	(1)
Change in unrealized gain (loss) on investments	**(7 518)**	14 761
TOTAL INCOME (LOSS)	**2 858**	25 482
EXPENSES (see notes – Fund Specific Information)		
Management fees	**279**	203
Administration fees	**184**	176
Independent Review Committee costs	**2**	3
GST/HST	**46**	33
Transaction costs	**224**	175
Withholding tax	**260**	223
TOTAL EXPENSES	**995**	813
INCREASE (DECREASE) IN NAV	**$ 1 863**	$ 24 669
INCREASE (DECREASE) IN NAV		
SERIES A	**$ (33)**	$ 478
ADVISOR SERIES	**$ 53**	$ 352
SERIES D	**$ (4)**	$ 2 072
SERIES F	**$ 103**	$ 220
SERIES O	**$ 1 744**	$ 21 547
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ (0.14)**	$ 2.53
ADVISOR SERIES	**$ 0.17**	$ 2.53
SERIES D	**$ –**	$ 2.63
SERIES F	**$ 0.42**	$ 2.66
SERIES O	**$ 0.23**	$ 2.83

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 1 863**	$ 24 669
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(7 361)**	(8 347)
Change in unrealized loss (gain) on investments	**7 518**	(14 761)
(Increase) decrease in accrued receivables	**(20)**	(16)
Increase (decrease) in accrued payables	**6**	10
Cost of investments purchased	**(134 198)**	(99 064)
Proceeds on sales of investments	**122 061**	103 206
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(10 131)**	5 697
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**24 220**	21 627
Cash paid on redemption of redeemable units	**(13 466)**	(26 570)
Distributions paid to holders of redeemable units	**(849)**	(525)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 9 905**	$ (5 468)
Net increase (decrease) in cash for the period	**(226)**	229
Cash (bank overdraft), beginning of period	**288**	59
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 62**	$ 288
Interest received (paid)	**$ 11**	$ 12
Dividends received, net of withholding taxes	**$ 2 548**	$ 2 116

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

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 3 528**	$ 1 914	**$ 3 010**	$ 1 259	**$ 13 458**	$ 8 053	**$ 1 900**	$ 754
INCREASE (DECREASE) IN NAV	**(33)**	478	**53**	352	**(4)**	2 072	**103**	220
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**427**	1 491	**2 700**	1 616	**1 808**	4 914	**2 998**	969
Reinvestments of distributions to holders of redeemable units	**140**	73	**204**	70	**526**	335	**171**	46
Redemption of redeemable units	**(572)**	(353)	**(813)**	(216)	**(3 140)**	(1 533)	**(378)**	(36)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(5)**	1 211	**2 091**	1 470	**(806)**	3 716	**2 791**	979
Distributions from net income	**–**	–	**–**	–	**(81)**	(71)	**(43)**	(13)
Distributions from net gains	**(143)**	(75)	**(207)**	(71)	**(517)**	(312)	**(198)**	(40)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(143)**	(75)	**(207)**	(71)	**(598)**	(383)	**(241)**	(53)
NET INCREASE (DECREASE) IN NAV	**(181)**	1 614	**1 937**	1 751	**(1 408)**	5 405	**2 653**	1 146
NAV AT END OF PERIOD	**$ 3 347**	$ 3 528	**$ 4 947**	$ 3 010	**$ 12 050**	$ 13 458	**$ 4 553**	$ 1 900

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 101 222**	$ 91 808	**$ 123 118**	$ 103 788
INCREASE (DECREASE) IN NAV	**1 744**	21 547	**1 863**	24 669
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**16 200**	12 796	**24 133**	21 786
Reinvestments of distributions to holders of redeemable units	**5 924**	3 554	**6 965**	4 078
Redemption of redeemable units	**(8 600)**	(24 462)	**(13 503)**	(26 600)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**13 524**	(8 112)	**17 595**	(736)
Distributions from net income	**(1 932)**	(1 638)	**(2 056)**	(1 722)
Distributions from net gains	**(4 693)**	(2 383)	**(5 758)**	(2 881)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(6 625)**	(4 021)	**(7 814)**	(4 603)
NET INCREASE (DECREASE) IN NAV	**8 643**	9 414	**11 644**	19 330
NAV AT END OF PERIOD	**$ 109 865**	$ 101 222	**$ 134 762**	$ 123 118

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
United States Equities	**55.6**	54.0
Europe ex-United Kingdom Equities	**16.9**	13.9
Pacific Rim ex-Japan Equities	**9.3**	9.5
Japan Equities	**7.6**	6.3
United Kingdom Equities	**7.1**	11.3
Middle East and Africa Equities	**2.9**	3.3
Cash/Other	**0.6**	1.7
Total	**100.0**	100.0

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 2016**	December 31 2015
United States dollar	**61.2**	60.9
Euro	**11.2**	10.3
Japanese yen	**7.6**	6.3
Pound sterling	**7.1**	11.3
Swiss franc	**3.2**	3.5
South African rand	**2.9**	3.3
Danish krone	**2.5**	–
Hong Kong dollar	**2.2**	2.4
Philippine peso	**1.5**	–
Indian rupee	**–**	0.5
Total	**99.4**	98.5

As at December 31, 2016, 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, 2015 – 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 2016		December 31 2015	
MSCI World Total Return Net Index (CAD)	**+ or -**	**1.1**	+ or -	1.1

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**82 419**	**51 473**	**–**	**133 892**
Mutual fund units	**–**	**–**	**–**	**–**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**736**	**–**	**736**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**82 419**	**52 209**	**–**	**134 628**
% of total portfolio	**61.2**	**38.8**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	74 676	46 338	–	121 014
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 634	–	1 634
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	74 676	47 972	–	122 648
% of total portfolio	60.9	39.1	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series A	1.75%	0.15%
Advisor Series	1.75%	0.15%
Series D	1.00%	0.15%
Series F	0.75%	0.15%
Series O	n/a*	0.15%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**72**	69
Advisor Series	**140**	134
Series D	**76**	73
Series F	**78**	74
Series O	**80**	75
Value of all units	**6**	6

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**258**	166
Issued number of units	**32**	113
Reinvested number of units	**11**	5
Redeemed number of units	**(44)**	(26)
Ending number of units	**257**	258
Advisor Series		
Opening units	**220**	109
Issued number of units	**206**	122
Reinvested number of units	**16**	5
Redeemed number of units	**(62)**	(16)
Ending number of units	**380**	220
Series D		
Opening units	**987**	704
Issued number of units	**140**	374
Reinvested number of units	**40**	25
Redeemed number of units	**(239)**	(116)
Ending number of units	**928**	987
Series F		
Opening units	**139**	66
Issued number of units	**228**	73
Reinvested number of units	**13**	3
Redeemed number of units	**(29)**	(3)
Ending number of units	**351**	139
Series O		
Opening units	**7 297**	7 886
Issued number of units	**1 219**	963
Reinvested number of units	**446**	258
Redeemed number of units	**(642)**	(1 810)
Ending number of units	**8 320**	7 297

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**224**	**100**	175	100
Related-party brokerage commissions*	**16**	**7**	26	15
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.

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

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

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

	December 31 2016	December 31 2015
Fair value of securities loaned	**14 230**	1 493
Fair value of collateral received	**14 515**	1 568

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Gross revenue	**14**	**100**	13	100
RBC IS (paid)	**(5)**	**(35)**	(5)	(35)
Tax withheld	**–**	**(1)**	–	–
Fund revenue	**9**	**64**	8	65

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 2016	December 31 2015
Phillips, Hager & North Community Values Balanced Fund	**17.4**	15.2
Social Housing Canadian Equity Fund	**26.6**	–
Total	**44.0**	15.2

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
3 563	Vanguard Real Estate Investment Trust Fund	$ 302	$ 395	
TOTAL UNITED STATES EQUITIES		302	395	**4.1**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
254 725	Phillips, Hager & North Bond Fund*	$ 2 695	$ 2 609	
51 237	Phillips, Hager & North Canadian Equity Underlying Fund*	549	603	
4 604	Phillips, Hager & North Canadian Money Market Fund*	46	46	
50 489	Phillips, Hager & North Conservative Equity Income Fund*	515	610	
295 058	Phillips, Hager & North Inflation-Linked Bond Fund*	3 371	3 365	
115 949	RBC QUBE Low Volatility Global Equity Fund*	1 868	2 012	
TOTAL MUTUAL FUND UNITS		9 044	9 245	**95.4**
TOTAL INVESTMENTS		$ 9 346	9 640	**99.5**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			47	**0.5**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 9 687	**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)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 9 640**	$ 7 937
Cash	**87**	86
Due from investment dealers	**–**	13
Subscriptions receivable	**1**	7
TOTAL ASSETS	**9 728**	8 043
LIABILITIES		
Due to investment dealers	**30**	35
Redemptions payable	**2**	57
Distributions payable	**5**	10
Accounts payable and accrued expenses	**4**	4
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**41**	106
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 9 687**	$ 7 937
Investments at cost	**$ 9 346**	$ 7 795
NAV		
SERIES D	**$ 6 306**	$ 5 187
SERIES O	**$ 3 381**	$ 2 750
NAV PER UNIT		
SERIES D	**$ 11.16**	$ 10.96
SERIES O	**$ 11.12**	$ 10.92

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 18**	$ 13
Other income received from underlying funds	**217**	208
Capital gains received from underlying funds	**100**	91
Net realized gain (loss) on investments	**49**	362
Net gain (loss) on foreign currencies and other net assets	**1**	1
Change in unrealized gain (loss) on investments	**152**	(156)
TOTAL INCOME (LOSS)	**537**	519
EXPENSES (see notes – Fund Specific Information)		
Management fees	**45**	40
Administration fees	**7**	5
Independent Review Committee costs	**2**	3
GST/HST	**5**	4
Withholding tax	**3**	2
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**60**	51
INCREASE (DECREASE) IN NAV	**$ 477**	$ 468
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 299**	$ 302
SERIES O	**$ 178**	$ 166
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.56**	$ 0.63
SERIES O	**$ 0.65**	$ 0.74

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 477**	$ 468
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(49)**	(362)
Change in unrealized loss (gain) on investments	**(152)**	156
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**–**	–
Cost of investments purchased	**(11 617)**	(11 349)
Proceeds on sales of investments	**10 123**	11 121
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(1 218)**	34
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**4 090**	2 814
Cash paid on redemption of redeemable units	**(2 862)**	(2 701)
Distributions paid to holders of redeemable units	**(9)**	(1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 1 219**	$ 112
Net increase (decrease) in cash for the period	**1**	146
Cash (bank overdraft), beginning of period	**86**	(60)
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 87**	$ 86
Interest received (paid)	**$ –**	$ –
Dividends received, net of withholding taxes	**$ 15**	$ 11

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

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

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

For the periods ended December 31	Series D		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 5 187**	$ 4 843	**$ 2 750**	$ 2 554	**$ 7 937**	$ 7 397
INCREASE (DECREASE) IN NAV	**299**	302	**178**	166	**477**	468
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**2 959**	1 858	**1 125**	960	**4 084**	2 818
Reinvestments of distributions to holders of redeemable units	**199**	373	**138**	224	**337**	597
Redemption of redeemable units	**(2 134)**	(1 806)	**(673)**	(931)	**(2 807)**	(2 737)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**1 024**	425	**590**	253	**1 614**	678
Distributions from net income	**(100)**	(99)	**(82)**	(74)	**(182)**	(173)
Distributions from net gains	**(104)**	(284)	**(55)**	(149)	**(159)**	(433)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(204)**	(383)	**(137)**	(223)	**(341)**	(606)
NET INCREASE (DECREASE) IN NAV	**1 119**	344	**631**	196	**1 750**	540
NAV AT END OF PERIOD	**$ 6 306**	$ 5 187	**$ 3 381**	$ 2 750	**$ 9 687**	$ 7 937

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

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 2016**	December 31 2015
Bonds	**61.6**	61.6
Global Equities	**20.8**	21.4
Canadian Equities	**12.5**	12.3
United States Equities	**4.1**	4.2
Cash/Other	**1.0**	0.5
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, 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 7.3% (December 31, 2015 – 7.5%). 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, 2016, 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 0.2% (December 31, 2015 – 0.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

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

	December 31 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.2**	+ or -	0.3
MSCI EAFE Total Return Net Index (CAD)	**+ or -**	**0.3**	+ or -	0.4

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**395**	**–**	**–**	**395**
Mutual fund units	**9 245**	**–**	**–**	**9 245**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**9 640**	**–**	**–**	**9 640**
% of total portfolio	**100.0**	**–**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	331	–	–	331
Mutual fund units	7 606	–	–	7 606
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	7 937	–	–	7 937
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	0.75%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**65**	63
Series O	**58**	55
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Bond Fund	**26.9**	–	23.6	–
Phillips, Hager & North Canadian Equity Underlying Fund	**6.2**	–	6.5	–
Phillips, Hager & North Canadian Equity Value Fund	**–**	–	5.8	–
Phillips, Hager & North Canadian Money Market Fund	**0.5**	–	0.5	–
Phillips, Hager & North Conservative Equity Income Fund	**6.3**	–	–	–
Phillips, Hager & North Inflation-Linked Bond Fund	**34.7**	**4.0**	38.0	4.0
RBC QUBE Low Volatility Global Equity Fund	**20.8**	**0.3**	21.4	0.4

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**473**	433
Issued number of units	**263**	159
Reinvested number of units	**18**	34
Redeemed number of units	**(189)**	(153)
Ending number of units	**565**	473
Series O		
Opening units	**252**	229
Issued number of units	**99**	83
Reinvested number of units	**12**	20
Redeemed number of units	**(59)**	(80)
Ending number of units	**304**	252

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, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
11 648	Vanguard Real Estate Investment Trust Fund	$ 1 006	$ 1 290	
TOTAL UNITED STATES EQUITIES		1 006	1 290	**3.9**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
178 556	Phillips, Hager & North Canadian Equity Underlying Fund*	$ 1 932	$ 2 100	
24 430	Phillips, Hager & North Canadian Equity Value Fund*	310	343	
14 860	Phillips, Hager & North Canadian Money Market Fund*	149	149	
146 745	Phillips, Hager & North Conservative Equity Income Fund*	1 502	1 772	
86 339	Phillips, Hager & North High Yield Bond Fund*	980	1 001	
1 325 343	Phillips, Hager & North Inflation-Linked Bond Fund*	15 198	15 116	
147 228	Phillips, Hager & North Long Inflation-linked Bond Fund*	1 734	1 730	
67 184	RBC Emerging Markets Equity Fund*	934	968	
117 272	RBC Global Equity Focus Fund*	1 435	1 569	
46 116	RBC QUBE Global Equity Fund*	579	543	
310 503	RBC QUBE Low Volatility Global Equity Fund*	5 027	5 389	
34 400	RBC U.S. Mid-Cap Value Equity Fund*	444	499	
12 359	RBC U.S. Small-Cap Value Equity Fund*	127	162	
TOTAL MUTUAL FUND UNITS		30 351	31 341	**95.6**
TOTAL INVESTMENTS		$ 31 357	32 631	**99.5**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			143	**0.5**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 32 774	**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)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 32 631**	$ 22 806
Cash	**58**	24
Due from investment dealers	**75**	–
Subscriptions receivable	**52**	5
TOTAL ASSETS	**32 816**	22 835
LIABILITIES		
Due to investment dealers	**–**	50
Redemptions payable	**7**	14
Distributions payable	**19**	8
Accounts payable and accrued expenses	**16**	12
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**42**	84
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 32 774**	$ 22 751
Investments at cost	**$ 31 357**	$ 22 362
NAV		
SERIES D	**$ 21 368**	$ 14 303
SERIES O	**$ 11 406**	$ 8 448
NAV PER UNIT		
SERIES D	**$ 12.42**	$ 11.94
SERIES O	**$ 12.33**	$ 11.85

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 57**	$ 42
Interest for distribution purposes	**–**	1
Other income received from underlying funds	**658**	513
Capital gains received from underlying funds	**281**	273
Net realized gain (loss) on investments	**100**	728
Change in unrealized gain (loss) on investments	**830**	(358)
TOTAL INCOME (LOSS)	**1 926**	1 199
EXPENSES (see notes – Fund Specific Information)		
Management fees	**146**	105
Administration fees	**12**	11
Independent Review Committee costs	**2**	3
GST/HST	**16**	10
Withholding tax	**9**	6
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**183**	132
INCREASE (DECREASE) IN NAV	**$ 1 743**	$ 1 067
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 1 060**	$ 600
SERIES O	**$ 683**	$ 467
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.72**	$ 0.61
SERIES O	**$ 0.83**	$ 0.72

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 1 743**	$ 1 067
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(100)**	(728)
Change in unrealized loss (gain) on investments	**(830)**	358
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**4**	3
Cost of investments purchased	**(59 773)**	(61 757)
Proceeds on sales of investments	**50 753**	54 678
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(8 203)**	(6 379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**12 836**	10 576
Cash paid on redemption of redeemable units	**(4 591)**	(4 188)
Distributions paid to holders of redeemable units	**(8)**	1
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 8 237**	$ 6 389
Net increase (decrease) in cash for the period	**34**	10
Cash (bank overdraft), beginning of period	**24**	14
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 58**	$ 24
Interest received (paid)	**$ –**	$ 1
Dividends received, net of withholding taxes	**$ 48**	$ 36

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

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

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

For the periods ended December 31	Series D		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 14 303**	$ 9 429	**$ 8 448**	$ 5 951	**$ 22 751**	$ 15 380
INCREASE (DECREASE) IN NAV	**1 060**	600	**683**	467	**1 743**	1 067
Early redemption fees	**1**	–	**–**	–	**1**	–
Proceeds from redeemable units issued	**9 397**	7 667	**3 486**	2 803	**12 883**	10 470
Reinvestments of distributions to holders of redeemable units	**420**	789	**332**	542	**752**	1 331
Redemption of redeemable units	**(3 374)**	(3 391)	**(1 211)**	(773)	**(4 585)**	(4 164)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**6 444**	5 065	**2 607**	2 572	**9 051**	7 637
Distributions from net income	**(287)**	(219)	**(251)**	(205)	**(538)**	(424)
Distributions from net gains	**(152)**	(572)	**(81)**	(337)	**(233)**	(909)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(439)**	(791)	**(332)**	(542)	**(771)**	(1 333)
NET INCREASE (DECREASE) IN NAV	**7 065**	4 874	**2 958**	2 497	**10 023**	7 371
NAV AT END OF PERIOD	**$ 21 368**	$ 14 303	**$ 11 406**	$ 8 448	**$ 32 774**	$ 22 751

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

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:

Investment mix	**December 31 2016**	December 31 2015
Bonds	**54.5**	52.8
Global Equities	**25.9**	26.2
Canadian Equities	**12.8**	12.9
United States Equities	**5.9**	7.1
Cash/Other	**0.9**	1.0
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 8.5% (December 31, 2015 – 8.7%). 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, 2016, 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, 2015 – 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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.3**	+ or -	0.4
MSCI EAFE Total Return Net Index (CAD)	**+ or -**	**0.4**	+ or -	0.5

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 290**	**–**	**–**	**1 290**
Mutual fund units	**31 341**	**–**	**–**	**31 341**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**32 631**	**–**	**–**	**32 631**
% of total portfolio	**100.0**	**–**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 161	–	–	1 161
Mutual fund units	21 487	–	–	21 487
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	158	–	158
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	22 648	158	–	22 806
% of total portfolio	99.3	0.7	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	0.80%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**61**	60
Series O	**54**	53
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	**6.4**	**0.1**	7.0	0.1
Phillips, Hager & North Canadian Equity Value Fund	**1.0**	**–**	5.9	0.1
Phillips, Hager & North Canadian Money Market Fund	**0.5**	**–**	0.5	–
Phillips, Hager & North Conservative Equity Income Fund	**5.4**	**0.1**	–	–
Phillips, Hager & North High Yield Bond Fund	**3.1**	**–**	2.8	–
Phillips, Hager & North Inflation-Linked Bond Fund	**46.0**	**18.1**	39.8	12.1
Phillips, Hager & North Long Inflation-linked Bond Fund	**5.3**	**2.5**	10.2	4.7
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	**–**	**–**	2.0	–
RBC Emerging Markets Equity Fund	**3.0**	**–**	3.0	–
RBC Global Equity Focus Fund	**4.8**	**0.1**	5.8	0.1
RBC QUBE Global Equity Fund	**1.7**	**0.2**	1.9	0.1
RBC QUBE Low Volatility Global Equity Fund	**16.4**	**0.7**	15.5	0.8
RBC U.S. Mid-Cap Value Equity Fund	**1.5**	**0.1**	–	–
RBC U.S. Small-Cap Value Equity Fund	**0.5**	**0.2**	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**1 198**	794
Issued number of units	**762**	612
Reinvested number of units	**34**	66
Redeemed number of units	**(274)**	(274)
Ending number of units	**1 720**	1 198
Series O		
Opening units	**713**	504
Issued number of units	**283**	225
Reinvested number of units	**27**	46
Redeemed number of units	**(98)**	(62)
Ending number of units	**925**	713

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH LIFETIME 2025 FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
14 756	Vanguard Real Estate Investment Trust Fund	$ 1 301	$ 1 635	
TOTAL UNITED STATES EQUITIES		1 301	1 635	**5.1**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
188 106	Phillips, Hager & North Canadian Equity Underlying Fund*	$ 2 025	$ 2 213	
81 299	Phillips, Hager & North Canadian Equity Value Fund*	1 032	1 140	
15 216	Phillips, Hager & North Canadian Money Market Fund*	152	152	
73 339	Phillips, Hager & North Conservative Equity Income Fund*	746	885	
84 596	Phillips, Hager & North High Yield Bond Fund*	963	981	
540 211	Phillips, Hager & North Inflation-Linked Bond Fund*	6 184	6 162	
786 418	Phillips, Hager & North Long Inflation-linked Bond Fund*	9 199	9 244	
84 124	RBC Emerging Markets Equity Fund*	1 176	1 212	
215 756	RBC Global Equity Focus Fund*	2 633	2 886	
84 178	RBC QUBE Global Equity Fund*	1 065	992	
205 191	RBC QUBE Low Volatility Global Equity Fund*	3 305	3 561	
43 350	RBC U.S. Mid-Cap Value Equity Fund*	549	628	
17 892	RBC U.S. Small-Cap Value Equity Fund*	183	234	
TOTAL MUTUAL FUND UNITS		29 212	30 290	**94.4**
SHORT-TERM INVESTMENTS†		132	132	**0.4**
TOTAL INVESTMENTS		$ 30 645	32 057	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			46	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 32 103	**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 0.45% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 32 057**	$ 23 429
Cash	**62**	26
Subscriptions receivable	**57**	23
TOTAL ASSETS	**32 176**	23 478
LIABILITIES		
Due to investment dealers	**–**	160
Redemptions payable	**58**	–
Distributions payable	**3**	1
Accounts payable and accrued expenses	**12**	8
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**73**	169
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 32 103**	$ 23 309
Investments at cost	**$ 30 645**	$ 22 956
NAV		
SERIES D	**$ 13 440**	$ 9 384
SERIES O	**$ 18 663**	$ 13 925
NAV PER UNIT		
SERIES D	**$ 12.53**	$ 12.01
SERIES O	**$ 12.44**	$ 11.93

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 71**	$ 43
Interest for distribution purposes	**1**	1
Other income received from underlying funds	**663**	477
Capital gains received from underlying funds	**287**	440
Net realized gain (loss) on investments	**118**	712
Net gain (loss) on foreign currencies and other net assets	**3**	1
Change in unrealized gain (loss) on investments	**939**	(473)
TOTAL INCOME (LOSS)	**2 082**	1 201
EXPENSES (see notes – Fund Specific Information)		
Management fees	**101**	71
Administration fees	**15**	11
Independent Review Committee costs	**2**	3
GST/HST	**12**	8
Withholding tax	**11**	6
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**139**	96
INCREASE (DECREASE) IN NAV	**$ 1 943**	$ 1 105
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 750**	$ 355
SERIES O	**$ 1 193**	$ 750
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.79**	$ 0.61
SERIES O	**$ 0.91**	$ 0.73

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 1 943**	$ 1 105
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(118)**	(712)
Change in unrealized loss (gain) on investments	**(939)**	473
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**4**	2
Cost of investments purchased	**(53 996)**	(47 385)
Proceeds on sales of investments	**46 265**	40 150
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(6 841)**	(6 367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**10 259**	8 819
Cash paid on redemption of redeemable units	**(3 383)**	(2 442)
Distributions paid to holders of redeemable units	**1**	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 6 877**	$ 6 377
Net increase (decrease) in cash for the period	**36**	10
Cash (bank overdraft), beginning of period	**26**	16
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 62**	$ 26
Interest received (paid)	**$ 1**	$ 1
Dividends received, net of withholding taxes	**$ 60**	$ 37

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

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

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

For the periods ended December 31	Series D		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 9 384**	$ 5 862	**$ 13 925**	$ 9 957	**$ 23 309**	$ 15 819
INCREASE (DECREASE) IN NAV	**750**	355	**1 193**	750	**1 943**	1 105
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**4 975**	4 459	**5 318**	4 367	**10 293**	8 826
Reinvestments of distributions to holders of redeemable units	**294**	550	**584**	947	**878**	1 497
Redemption of redeemable units	**(1 668)**	(1 292)	**(1 773)**	(1 149)	**(3 441)**	(2 441)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**3 601**	3 717	**4 129**	4 165	**7 730**	7 882
Distributions from net income	**(178)**	(118)	**(421)**	(307)	**(599)**	(425)
Distributions from net gains	**(117)**	(432)	**(163)**	(640)	**(280)**	(1 072)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(295)**	(550)	**(584)**	(947)	**(879)**	(1 497)
NET INCREASE (DECREASE) IN NAV	**4 056**	3 522	**4 738**	3 968	**8 794**	7 490
NAV AT END OF PERIOD	**$ 13 440**	$ 9 384	**$ 18 663**	$ 13 925	**$ 32 103**	$ 23 309

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

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:

Investment mix	**December 31 2016**	December 31 2015
Bonds	**51.1**	50.2
Global Equities	**27.0**	28.0
Canadian Equities	**13.1**	12.9
United States Equities	**7.8**	7.7
Cash/Other	**1.0**	1.2
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 10.5% (December 31, 2015 – 10.6%). 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, 2016, 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, 2015 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using 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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.3**	+ or -	0.4
MSCI EAFE Total Return Net Index (CAD)	**+ or -**	**0.5**	+ or -	0.6

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 635**	**–**	**–**	**1 635**
Mutual fund units	**30 290**	**–**	**–**	**30 290**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**132**	**–**	**132**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**31 925**	**132**	**–**	**32 057**
% of total portfolio	**99.6**	**0.4**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 170	–	–	1 170
Mutual fund units	21 968	–	–	21 968
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	291	–	291
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	23 138	291	–	23 429
% of total portfolio	98.8	1.2	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	0.85%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**61**	60
Series O	**55**	53
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	**6.9**	**0.1**	7.4	0.1
Phillips, Hager & North Canadian Equity Value Fund	**3.6**	**0.1**	5.5	0.1
Phillips, Hager & North Canadian Money Market Fund	**0.5**	**–**	0.4	–
Phillips, Hager & North Conservative Equity Income Fund	**2.8**	**0.1**	–	–
Phillips, Hager & North High Yield Bond Fund	**3.1**	**–**	3.0	–
Phillips, Hager & North Inflation-Linked Bond Fund	**19.1**	**7.4**	14.5	4.5
Phillips, Hager & North Long Inflation-linked Bond Fund	**28.7**	**13.1**	32.7	15.5
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	**–**	**–**	2.7	–
RBC Emerging Markets Equity Fund	**3.8**	**–**	4.5	–
RBC Global Equity Focus Fund	**9.0**	**0.1**	9.8	0.1
RBC QUBE Global Equity Fund	**3.1**	**0.3**	3.3	0.2
RBC QUBE Low Volatility Global Equity Fund	**11.1**	**0.5**	10.4	0.6
RBC U.S. Mid-Cap Value Equity Fund	**2.0**	**0.1**	–	–
RBC U.S. Small-Cap Value Equity Fund	**0.7**	**0.3**	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**781**	488
Issued number of units	**403**	350
Reinvested number of units	**23**	46
Redeemed number of units	**(134)**	(103)
Ending number of units	**1 073**	781
Series O		
Opening units	**1 168**	835
Issued number of units	**429**	346
Reinvested number of units	**47**	79
Redeemed number of units	**(143)**	(92)
Ending number of units	**1 501**	1 168

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH LIFETIME 2030 FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
14 133	Vanguard Real Estate Investment Trust Fund	$ 1 284	$ 1 566	
TOTAL UNITED STATES EQUITIES		1 284	1 566	**4.9**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
195 476	Phillips, Hager & North Canadian Equity Underlying Fund*	$ 2 110	$ 2 299	
128 961	Phillips, Hager & North Canadian Equity Value Fund*	1 639	1 809	
12 996	Phillips, Hager & North Canadian Money Market Fund*	130	130	
7 367	Phillips, Hager & North Conservative Equity Income Fund*	81	89	
135 681	Phillips, Hager & North High Yield Bond Fund*	1 544	1 573	
1 199 499	Phillips, Hager & North Long Inflation-linked Bond Fund*	14 097	14 099	
108 357	RBC Emerging Markets Equity Fund*	1 522	1 561	
310 776	RBC Global Equity Focus Fund*	3 833	4 157	
120 131	RBC QUBE Global Equity Fund*	1 512	1 416	
101 531	RBC QUBE Low Volatility Global Equity Fund*	1 663	1 762	
56 082	RBC U.S. Mid-Cap Value Equity Fund*	718	813	
23 992	RBC U.S. Small-Cap Value Equity Fund*	252	314	
TOTAL MUTUAL FUND UNITS		29 101	30 022	**94.5**
SHORT-TERM INVESTMENTS†		179	179	**0.6**
TOTAL INVESTMENTS		$ 30 564	31 767	**100.0**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			16	–
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 31 783	**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 0.45% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 31 767**	$ 20 978
Cash	**29**	36
Subscriptions receivable	**24**	26
TOTAL ASSETS	**31 820**	21 040
LIABILITIES		
Due to investment dealers	**–**	190
Redemptions payable	**29**	16
Distributions payable	**1**	1
Accounts payable and accrued expenses	**7**	4
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**37**	211
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 31 783**	$ 20 829
Investments at cost	**$ 30 564**	$ 20 548
NAV		
SERIES D	**$ 7 614**	$ 3 752
SERIES O	**$ 24 169**	$ 17 077
NAV PER UNIT		
SERIES D	**$ 12.32**	$ 11.86
SERIES O	**$ 12.23**	$ 11.77

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 66**	$ 37
Interest for distribution purposes	**1**	–
Other income received from underlying funds	**684**	421
Capital gains received from underlying funds	**299**	496
Net realized gain (loss) on investments	**201**	561
Net gain (loss) on foreign currencies and other net assets	**(2)**	2
Change in unrealized gain (loss) on investments	**773**	(428)
TOTAL INCOME (LOSS)	**2 022**	1 089
EXPENSES (see notes – Fund Specific Information)		
Management fees	**49**	32
Administration fees	**13**	7
Independent Review Committee costs	**2**	3
GST/HST	**6**	4
Withholding tax	**10**	6
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**78**	49
INCREASE (DECREASE) IN NAV	**$ 1 944**	$ 1 040
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 340**	$ 179
SERIES O	**$ 1 604**	$ 861
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.78**	$ 0.64
SERIES O	**$ 0.96**	$ 0.75

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 1 944**	$ 1 040
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(201)**	(561)
Change in unrealized loss (gain) on investments	**(773)**	428
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**3**	1
Cost of investments purchased	**(42 910)**	(24 751)
Proceeds on sales of investments	**32 905**	18 350
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(9 032)**	(5 493)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**10 686**	6 910
Cash paid on redemption of redeemable units	**(1 662)**	(1 394)
Distributions paid to holders of redeemable units	**1**	(1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 9 025**	$ 5 515
Net increase (decrease) in cash for the period	**(7)**	22
Cash (bank overdraft), beginning of period	**36**	14
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 29**	$ 36
Interest received (paid)	**$ 1**	$ –
Dividends received, net of withholding taxes	**$ 56**	$ 31

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

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

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

For the periods ended December 31	Series D		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 3 752**	$ 2 958	**$ 17 077**	$ 11 316	**$ 20 829**	$ 14 274
INCREASE (DECREASE) IN NAV	**340**	179	**1 604**	861	**1 944**	1 040
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**3 865**	1 427	**6 819**	5 476	**10 684**	6 903
Reinvestments of distributions to holders of redeemable units	**234**	238	**977**	1 247	**1 211**	1 485
Redemption of redeemable units	**(343)**	(812)	**(1 332)**	(575)	**(1 675)**	(1 387)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**3 756**	853	**6 464**	6 148	**10 220**	7 001
Distributions from net income	**(108)**	(44)	**(578)**	(370)	**(686)**	(414)
Distributions from net gains	**(126)**	(194)	**(398)**	(878)	**(524)**	(1 072)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(234)**	(238)	**(976)**	(1 248)	**(1 210)**	(1 486)
NET INCREASE (DECREASE) IN NAV	**3 862**	794	**7 092**	5 761	**10 954**	6 555
NAV AT END OF PERIOD	**$ 7 614**	$ 3 752	**$ 24 169**	$ 17 077	**$ 31 783**	$ 20 829

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

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 2016**	December 31 2015
Bonds	**49.3**	49.2
Global Equities	**28.0**	28.3
Canadian Equities	**13.2**	13.0
United States Equities	**8.5**	8.4
Cash/Other	**1.0**	1.1
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, 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 11.7% (December 31, 2015 – 11.5%). 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, 2016, 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, 2015 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using 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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.4**	+ or -	0.4
MSCI EAFE Total Return Net Index (CAD)	**+ or -**	**0.5**	+ or -	0.6

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 566**	**–**	**–**	**1 566**
Mutual fund units	**30 022**	**–**	**–**	**30 022**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**179**	**–**	**179**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**31 588**	**179**	**–**	**31 767**
% of total portfolio	**99.4**	**0.6**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 013	–	–	1 013
Mutual fund units	19 679	–	–	19 679
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	286	–	286
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	20 692	286	–	20 978
% of total portfolio	98.6	1.4	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	0.90%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**63**	61
Series O	**56**	53
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	**7.2**	**0.1**	7.1	0.1
Phillips, Hager & North Canadian Equity Value Fund	**5.7**	**0.2**	5.7	0.1
Phillips, Hager & North Canadian Money Market Fund	**0.4**	**–**	0.4	–
Phillips, Hager & North Conservative Equity Income Fund	**0.3**	**–**	0.2	–
Phillips, Hager & North High Yield Bond Fund	**4.9**	**–**	5.0	–
Phillips, Hager & North Long Inflation-linked Bond Fund	**44.4**	**20.0**	44.2	18.7
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	**–**	**–**	3.5	–
RBC Emerging Markets Equity Fund	**4.9**	**0.1**	5.0	–
RBC Global Equity Focus Fund	**13.1**	**0.2**	14.1	0.2
RBC QUBE Global Equity Fund	**4.5**	**0.4**	4.8	0.2
RBC QUBE Low Volatility Global Equity Fund	**5.5**	**0.2**	4.4	0.2
RBC U.S. Mid-Cap Value Equity Fund	**2.6**	**0.1**	–	–
RBC U.S. Small-Cap Value Equity Fund	**1.0**	**0.4**	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**316**	248
Issued number of units	**311**	112
Reinvested number of units	**19**	20
Redeemed number of units	**(28)**	(64)
Ending number of units	**618**	316
Series O		
Opening units	**1 450**	954
Issued number of units	**554**	436
Reinvested number of units	**80**	106
Redeemed number of units	**(108)**	(46)
Ending number of units	**1 976**	1 450

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH LIFETIME 2035 FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
16 599	Vanguard Real Estate Investment Trust Fund	$ 1 434	$ 1 839	
TOTAL UNITED STATES EQUITIES		1 434	1 839	**4.9**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
231 061	Phillips, Hager & North Canadian Equity Underlying Fund*	$ 2 488	$ 2 718	
164 890	Phillips, Hager & North Canadian Equity Value Fund*	2 093	2 313	
17 719	Phillips, Hager & North Canadian Money Market Fund*	177	177	
159 812	Phillips, Hager & North High Yield Bond Fund*	1 822	1 853	
1 274 803	Phillips, Hager & North Long Inflation-linked Bond Fund*	14 958	14 985	
165 733	RBC Emerging Markets Equity Fund*	2 309	2 388	
481 523	RBC Global Equity Focus Fund*	5 896	6 441	
184 334	RBC QUBE Global Equity Fund*	2 323	2 172	
16 704	RBC QUBE Low Volatility Global Equity Fund*	267	290	
90 051	RBC U.S. Mid-Cap Value Equity Fund*	1 153	1 305	
36 146	RBC U.S. Small-Cap Value Equity Fund*	376	473	
TOTAL MUTUAL FUND UNITS		33 862	35 115	**94.5**
SHORT-TERM INVESTMENTS†		178	178	**0.5**
TOTAL INVESTMENTS		$ 35 474	37 132	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			42	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 37 174	**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 0.45% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 37 132**	$ 26 672
Cash	**45**	17
Subscriptions receivable	**65**	35
TOTAL ASSETS	**37 242**	26 724
LIABILITIES		
Due to investment dealers	**50**	250
Redemptions payable	**1**	–
Distributions payable	**10**	28
Accounts payable and accrued expenses	**7**	7
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**68**	285
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 37 174**	$ 26 439
Investments at cost	**$ 35 474**	$ 25 989
NAV		
SERIES D	**$ 6 356**	$ 5 209
SERIES O	**$ 30 818**	$ 21 230
NAV PER UNIT		
SERIES D	**$ 12.52**	$ 12.07
SERIES O	**$ 12.43**	$ 11.99

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 80**	$ 48
Interest for distribution purposes	**1**	1
Other income received from underlying funds	**792**	540
Capital gains received from underlying funds	**373**	672
Net realized gain (loss) on investments	**249**	806
Net gain (loss) on foreign currencies and other net assets	**(2)**	1
Change in unrealized gain (loss) on investments	**975**	(489)
TOTAL INCOME (LOSS)	**2 468**	1 579
EXPENSES (see notes – Fund Specific Information)		
Management fees	**56**	50
Administration fees	**13**	12
Independent Review Committee costs	**2**	3
GST/HST	**7**	6
Withholding tax	**12**	7
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**88**	75
INCREASE (DECREASE) IN NAV	**$ 2 380**	$ 1 504
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 403**	$ 288
SERIES O	**$ 1 977**	$ 1 216
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.86**	$ 0.73
SERIES O	**$ 0.96**	$ 0.86

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 2 380**	$ 1 504
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(249)**	(806)
Change in unrealized loss (gain) on investments	**(975)**	489
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**–**	1
Cost of investments purchased	**(50 785)**	(41 486)
Proceeds on sales of investments	**41 349**	33 839
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(8 280)**	(6 459)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**10 714**	8 792
Cash paid on redemption of redeemable units	**(2 381)**	(2 311)
Distributions paid to holders of redeemable units	**(25)**	(24)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 8 308**	$ 6 457
Net increase (decrease) in cash for the period	**28**	(2)
Cash (bank overdraft), beginning of period	**17**	19
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 45**	$ 17
Interest received (paid)	**$ 1**	$ 1
Dividends received, net of withholding taxes	**$ 68**	$ 41

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

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

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

For the periods ended December 31	Series D		Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 5 209**	$ 4 286	**$ 21 230**	$ 14 155	**$ 26 439**	$ 18 441
INCREASE (DECREASE) IN NAV	**403**	288	**1 977**	1 216	**2 380**	1 504
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**1 164**	1 520	**9 580**	7 284	**10 744**	8 804
Reinvestments of distributions to holders of redeemable units	**183**	332	**1 255**	1 661	**1 438**	1 993
Redemption of redeemable units	**(411)**	(859)	**(1 971)**	(1 424)	**(2 382)**	(2 283)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**936**	993	**8 864**	7 521	**9 800**	8 514
Distributions from net income	**(82)**	(61)	**(720)**	(462)	**(802)**	(523)
Distributions from net gains	**(110)**	(297)	**(533)**	(1 200)	**(643)**	(1 497)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(192)**	(358)	**(1 253)**	(1 662)	**(1 445)**	(2 020)
NET INCREASE (DECREASE) IN NAV	**1 147**	923	**9 588**	7 075	**10 735**	7 998
NAV AT END OF PERIOD	**$ 6 356**	$ 5 209	**$ 30 818**	$ 21 230	**$ 37 174**	$ 26 439

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

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:

Investment mix	**December 31 2016**	December 31 2015
Bonds	**45.3**	43.2
Global Equities	**30.3**	32.6
Canadian Equities	**13.6**	13.2
United States Equities	**9.7**	9.9
Cash/Other	**1.1**	1.1
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 10.6% (December 31, 2015 – 9.9%). 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, 2016, 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, 2015 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using 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 2016	December 31 2015
S&P/TSX Capped Composite Total Return Index	**+ or - 0.4**	+ or - 0.4
MSCI EAFE Total Return Net Index (CAD)	**+ or - 0.6**	+ or - 0.6

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 839**	**–**	**–**	**1 839**
Mutual fund units	**35 115**	**–**	**–**	**35 115**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**178**	**–**	**178**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**36 954**	**178**	**–**	**37 132**
% of total portfolio	**99.5**	**0.5**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 307	–	–	1 307
Mutual fund units	24 944	–	–	24 944
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	421	–	421
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	26 251	421	–	26 672
% of total portfolio	98.4	1.6	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	0.95%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**63**	61
Series O	**55**	53
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	**7.3**	**0.1**	7.1	0.1
Phillips, Hager & North Canadian Equity Value Fund	**6.2**	**0.2**	6.2	0.2
Phillips, Hager & North Canadian Money Market Fund	**0.5**	**–**	0.4	–
Phillips, Hager & North High Yield Bond Fund	**5.0**	**–**	5.0	–
Phillips, Hager & North Long Inflation-linked Bond Fund	**40.4**	**21.2**	38.2	20.5
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	**–**	**–**	5.0	–
RBC Emerging Markets Equity Fund	**6.4**	**0.1**	7.4	0.1
RBC Global Equity Focus Fund	**17.3**	**0.3**	18.2	0.3
RBC QUBE Global Equity Fund	**5.8**	**0.6**	6.1	0.4
RBC QUBE Low Volatility Global Equity Fund	**0.8**	**–**	0.8	–
RBC U.S. Mid-Cap Value Equity Fund	**3.5**	**0.2**	–	–
RBC U.S. Small-Cap Value Equity Fund	**1.3**	**0.7**	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**432**	353
Issued number of units	**93**	120
Reinvested number of units	**15**	27
Redeemed number of units	**(32)**	(68)
Ending number of units	**508**	432
Series O		
Opening units	**1 771**	1 174
Issued number of units	**766**	568
Reinvested number of units	**101**	139
Redeemed number of units	**(158)**	(110)
Ending number of units	**2 480**	1 771

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH LIFETIME 2040 FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
15 902	Vanguard Real Estate Investment Trust Fund	$ 1 398	$ 1 762	
TOTAL UNITED STATES EQUITIES		1 398	1 762	**5.0**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
215 166	Phillips, Hager & North Canadian Equity Underlying Fund*	$ 2 338	$ 2 531	
180 657	Phillips, Hager & North Canadian Equity Value Fund*	2 314	2 534	
14 409	Phillips, Hager & North Canadian Money Market Fund*	144	144	
152 335	Phillips, Hager & North High Yield Bond Fund*	1 736	1 766	
1 078 114	Phillips, Hager & North Long Inflation-linked Bond Fund*	12 627	12 674	
191 825	RBC Emerging Markets Equity Fund*	2 698	2 764	
504 384	RBC Global Equity Focus Fund*	6 193	6 747	
192 974	RBC QUBE Global Equity Fund*	2 439	2 274	
99 241	RBC U.S. Mid-Cap Value Equity Fund*	1 270	1 438	
41 248	RBC U.S. Small-Cap Value Equity Fund*	432	539	
TOTAL MUTUAL FUND UNITS		32 191	33 411	**94.1**
SHORT-TERM INVESTMENTS†		176	176	**0.5**
TOTAL INVESTMENTS		$ 33 765	35 349	**99.6**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			135	**0.4**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 35 484	**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 0.45% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 35 349**	$ 25 545
Cash	**46**	34
Subscriptions receivable	**112**	104
TOTAL ASSETS	**35 507**	25 683
LIABILITIES		
Due to investment dealers	**–**	205
Redemptions payable	**14**	94
Distributions payable	**3**	3
Accounts payable and accrued expenses	**6**	4
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**23**	306
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 35 484**	$ 25 377
Investments at cost	**$ 33 765**	$ 24 951
NAV		
SERIES D	**$ 4 048**	$ 3 294
SERIES O	**$ 31 436**	$ 22 083
NAV PER UNIT		
SERIES D	**$ 12.60**	$ 12.14
SERIES O	**$ 12.50**	$ 12.05

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 76**	$ 43
Interest for distribution purposes	**1**	1
Other income received from underlying funds	**749**	522
Capital gains received from underlying funds	**373**	666
Net realized gain (loss) on investments	**227**	704
Change in unrealized gain (loss) on investments	**990**	(476)
TOTAL INCOME (LOSS)	**2 416**	1 460
EXPENSES (see notes – Fund Specific Information)		
Management fees	**36**	26
Administration fees	**15**	10
Independent Review Committee costs	**2**	3
GST/HST	**5**	4
Withholding tax	**11**	7
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**67**	47
INCREASE (DECREASE) IN NAV	**$ 2 349**	$ 1 413
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 251**	$ 129
SERIES O	**$ 2 098**	$ 1 284
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.86**	$ 0.73
SERIES O	**$ 1.00**	$ 0.87

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 2 349**	$ 1 413
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(227)**	(704)
Change in unrealized loss (gain) on investments	**(990)**	476
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**2**	2
Cost of investments purchased	**(48 723)**	(43 792)
Proceeds on sales of investments	**39 931**	34 871
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(7 658)**	(7 734)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**10 512**	9 649
Cash paid on redemption of redeemable units	**(2 841)**	(1 893)
Distributions paid to holders of redeemable units	**(1)**	(1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 7 670**	$ 7 755
Net increase (decrease) in cash for the period	**12**	21
Cash (bank overdraft), beginning of period	**34**	13
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 46**	$ 34
Interest received (paid)	**$ 1**	$ 1
Dividends received, net of withholding taxes	**$ 65**	$ 36

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

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

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

For the periods ended December 31	Series D		Series O		Total	
(see note 2 in the generic notes)	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 3 294**	$ 1 687	**$ 22 083**	$ 14 556	**$ 25 377**	$ 16 243
INCREASE (DECREASE) IN NAV	**251**	129	**2 098**	1 284	**2 349**	1 413
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**925**	2 174	**9 595**	7 535	**10 520**	9 709
Reinvestments of distributions to holders of redeemable units	**121**	213	**1 289**	1 700	**1 410**	1 913
Redemption of redeemable units	**(420)**	(696)	**(2 341)**	(1 291)	**(2 761)**	(1 987)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**626**	1 691	**8 543**	7 944	**9 169**	9 635
Distributions from net income	**(50)**	(35)	**(722)**	(491)	**(772)**	(526)
Distributions from net gains	**(73)**	(178)	**(566)**	(1 210)	**(639)**	(1 388)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(123)**	(213)	**(1 288)**	(1 701)	**(1 411)**	(1 914)
NET INCREASE (DECREASE) IN NAV	**754**	1 607	**9 353**	7 527	**10 107**	9 134
NAV AT END OF PERIOD	**$ 4 048**	$ 3 294	**$ 31 436**	$ 22 083	**$ 35 484**	$ 25 377

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

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:

Investment mix	**December 31 2016**	December 31 2015
Bonds	**40.7**	39.2
Global Equities	**33.2**	34.3
Canadian Equities	**14.2**	14.9
United States Equities	**10.6**	10.4
Cash/Other	**1.3**	1.2
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, 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 9.5% (December 31, 2015 – 8.9%). 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, 2016, 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, 2015 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using 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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.4**	+ or -	0.5
MSCI EAFE Total Return Net Index (CAD)	**+ or -**	**0.6**	+ or -	0.6

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 762**	**–**	**–**	**1 762**
Mutual fund units	**33 411**	**–**	**–**	**33 411**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**176**	**–**	**176**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**35 173**	**176**	**–**	**35 349**
% of total portfolio	**99.5**	**0.5**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 195	–	–	1 195
Mutual fund units	24 004	–	–	24 004
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	346	–	346
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	25 199	346	–	25 545
% of total portfolio	98.6	1.4	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	1.00%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**63**	61
Series O	**55**	53
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	**7.1**	**0.1**	7.4	0.1
Phillips, Hager & North Canadian Equity Value Fund	**7.1**	**0.2**	7.4	0.2
Phillips, Hager & North Canadian Money Market Fund	**0.4**	**–**	0.5	–
Phillips, Hager & North High Yield Bond Fund	**5.0**	**–**	5.0	–
Phillips, Hager & North Long Inflation-linked Bond Fund	**35.7**	**17.9**	34.2	17.6
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	**–**	**–**	5.8	–
RBC Emerging Markets Equity Fund	**7.8**	**0.1**	8.2	0.1
RBC Global Equity Focus Fund	**19.0**	**0.3**	19.6	0.3
RBC QUBE Global Equity Fund	**6.4**	**0.6**	6.5	0.4
RBC U.S. Mid-Cap Value Equity Fund	**4.1**	**0.2**	–	–
RBC U.S. Small-Cap Value Equity Fund	**1.5**	**0.8**	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**271**	139
Issued number of units	**75**	169
Reinvested number of units	**10**	18
Redeemed number of units	**(35)**	(55)
Ending number of units	**321**	271
Series O		
Opening units	**1 833**	1 206
Issued number of units	**766**	586
Reinvested number of units	**103**	141
Redeemed number of units	**(187)**	(100)
Ending number of units	**2 515**	1 833

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH LIFETIME 2045 FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
31 937	Vanguard Real Estate Investment Trust Fund	$ 2 858	$ 3 538	
TOTAL UNITED STATES EQUITIES		2 858	3 538	**5.0**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
525 056	Phillips, Hager & North Canadian Equity Underlying Fund*	$ 5 759	$ 6 176	
438 560	Phillips, Hager & North Canadian Equity Value Fund*	5 660	6 151	
31 702	Phillips, Hager & North Canadian Money Market Fund*	317	317	
304 968	Phillips, Hager & North High Yield Bond Fund*	3 467	3 536	
1 354 134	Phillips, Hager & North Long Inflation-linked Bond Fund*	15 874	15 918	
475 626	RBC Emerging Markets Equity Fund*	6 684	6 854	
1 268 542	RBC Global Equity Focus Fund*	15 567	16 969	
485 655	RBC QUBE Global Equity Fund*	6 160	5 723	
271 492	RBC U.S. Mid-Cap Value Equity Fund*	3 476	3 935	
108 761	RBC U.S. Small-Cap Value Equity Fund*	1 131	1 422	
TOTAL MUTUAL FUND UNITS		64 095	67 001	**94.4**
SHORT-TERM INVESTMENTS†		344	344	**0.5**
TOTAL INVESTMENTS		$ 67 297	70 883	**99.9**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			74	**0.1**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 70 957	**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 0.45% and mature on January 3, 2017.

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

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 70 883**	$ 50 214
Cash	**100**	67
Subscriptions receivable	**45**	72
TOTAL ASSETS	**71 028**	50 353
LIABILITIES		
Due to investment dealers	**–**	535
Redemptions payable	**60**	96
Distributions payable	**2**	–
Accounts payable and accrued expenses	**9**	8
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**71**	639
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 70 957**	$ 49 714
Investments at cost	**$ 67 297**	$ 48 849
NAV		
SERIES D	**$ 5 875**	$ 4 379
SERIES O	**$ 65 082**	$ 45 335
NAV PER UNIT		
SERIES D	**$ 13.16**	$ 12.59
SERIES O	**$ 13.07**	$ 12.51

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 151**	$ 86
Interest for distribution purposes	**1**	1
Other income received from underlying funds	**1 481**	1 041
Capital gains received from underlying funds	**909**	1 388
Net realized gain (loss) on investments	**370**	1 171
Net gain (loss) on foreign currencies and other net assets	**(3)**	2
Change in unrealized gain (loss) on investments	**2 221**	(294)
TOTAL INCOME (LOSS)	**5 130**	3 395
EXPENSES (see notes – Fund Specific Information)		
Management fees	**53**	35
Administration fees	**31**	23
Independent Review Committee costs	**2**	3
GST/HST	**9**	6
Withholding tax	**23**	13
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**116**	77
INCREASE (DECREASE) IN NAV	**$ 5 014**	$ 3 318
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 374**	$ 196
SERIES O	**$ 4 640**	$ 3 122
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.95**	$ 0.93
SERIES O	**$ 1.10**	$ 1.08

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 5 014**	$ 3 318
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(370)**	(1 171)
Change in unrealized loss (gain) on investments	**(2 221)**	294
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**1**	4
Cost of investments purchased	**(82 644)**	(87 078)
Proceeds on sales of investments	**64 031**	68 700
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(16 189)**	(15 933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**22 264**	20 347
Cash paid on redemption of redeemable units	**(6 043)**	(4 375)
Distributions paid to holders of redeemable units	**1**	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 16 222**	$ 15 972
Net increase (decrease) in cash for the period	**33**	39
Cash (bank overdraft), beginning of period	**67**	28
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 100**	$ 67
Interest received (paid)	**$ 1**	$ 1
Dividends received, net of withholding taxes	**$ 128**	$ 73

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

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

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

For the periods ended December 31	Series D		Series O		Total	
(see note 2 in the generic notes)	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 4 379**	$ 1 956	**$ 45 335**	$ 28 545	**$ 49 714**	$ 30 501
INCREASE (DECREASE) IN NAV	**374**	196	**4 640**	3 122	**5 014**	3 318
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**2 209**	3 187	**20 028**	17 160	**22 237**	20 347
Reinvestments of distributions to holders of redeemable units	**141**	283	**2 329**	3 394	**2 470**	3 677
Redemption of redeemable units	**(1 087)**	(960)	**(4 920)**	(3 497)	**(6 007)**	(4 457)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**1 263**	2 510	**17 437**	17 057	**18 700**	19 567
Distributions from net income	**(63)**	(50)	**(1 465)**	(1 021)	**(1 528)**	(1 071)
Distributions from net gains	**(78)**	(233)	**(865)**	(2 368)	**(943)**	(2 601)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(141)**	(283)	**(2 330)**	(3 389)	**(2 471)**	(3 672)
NET INCREASE (DECREASE) IN NAV	**1 496**	2 423	**19 747**	16 790	**21 243**	19 213
NAV AT END OF PERIOD	**$ 5 875**	$ 4 379	**$ 65 082**	$ 45 335	**$ 70 957**	$ 49 714

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

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:

Investment mix	**December 31 2016**	December 31 2015
Global Equities	**41.7**	43.1
Bonds	**27.4**	26.2
Canadian Equities	**17.4**	17.5
United States Equities	**12.5**	12.1
Cash/Other	**1.0**	1.1
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.0% (December 31, 2015 – 5.6%). 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, 2016, 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, 2015 – 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 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.5**	+ or -	0.5
MSCI EAFE Total Return Net Index (CAD)	**+ or -**	**0.6**	+ or -	0.6

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**3 538**	**–**	**–**	**3 538**
Mutual fund units	**67 001**	**–**	**–**	**67 001**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**344**	**–**	**344**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**70 539**	**344**	**–**	**70 883**
% of total portfolio	**99.5**	**0.5**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	2 395	–	–	2 395
Mutual fund units	47 037	–	–	47 037
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	782	–	782
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	49 432	782	–	50 214
% of total portfolio	98.4	1.6	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	1.05%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**63**	62
Series O	**54**	52
Value of all units	**2**	1

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	**8.7**	**0.2**	8.7	0.2
Phillips, Hager & North Canadian Equity Value Fund	**8.7**	**0.5**	8.8	0.4
Phillips, Hager & North Canadian Money Market Fund	**0.4**	**–**	0.5	–
Phillips, Hager & North High Yield Bond Fund	**5.0**	**0.1**	5.0	0.1
Phillips, Hager & North Long Inflation-linked Bond Fund	**22.4**	**22.5**	21.2	21.4
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	**–**	**–**	7.3	0.1
RBC Emerging Markets Equity Fund	**9.7**	**0.3**	10.2	0.2
RBC Global Equity Focus Fund	**23.9**	**0.8**	24.7	0.7
RBC QUBE Global Equity Fund	**8.1**	**1.6**	8.2	0.9
RBC U.S. Mid-Cap Value Equity Fund	**5.5**	**0.7**	–	–
RBC U.S. Small-Cap Value Equity Fund	**2.0**	**2.0**	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**348**	158
Issued number of units	**173**	241
Reinvested number of units	**11**	22
Redeemed number of units	**(86)**	(73)
Ending number of units	**446**	348
Series O		
Opening units	**3 625**	2 320
Issued number of units	**1 561**	1 298
Reinvested number of units	**178**	271
Redeemed number of units	**(383)**	(264)
Ending number of units	**4 981**	3 625

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

PHILLIPS, HAGER & NORTH LIFETIME 2050 FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
4 914	Vanguard Real Estate Investment Trust Fund	$ 522	$ 544	
TOTAL UNITED STATES EQUITIES		522	544	**4.6**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
95 134	Phillips, Hager & North Canadian Equity Underlying Fund*	$ 1 051	$ 1 119	
80 421	Phillips, Hager & North Canadian Equity Value Fund*	1 046	1 128	
4 760	Phillips, Hager & North Canadian Money Market Fund*	48	48	
51 597	Phillips, Hager & North High Yield Bond Fund*	573	597	
167 238	Phillips, Hager & North Long Inflation-linked Bond Fund*	2 017	1 965	
91 358	RBC Emerging Markets Equity Fund*	1 312	1 317	
235 742	RBC Global Equity Focus Fund*	3 116	3 154	
88 666	RBC QUBE Global Equity Fund*	1 120	1 045	
46 958	RBC U.S. Mid-Cap Value Equity Fund*	606	681	
19 653	RBC U.S. Small-Cap Value Equity Fund*	216	257	
TOTAL MUTUAL FUND UNITS		11 105	11 311	**94.8**
TOTAL INVESTMENTS		$ 11 627	11 855	**99.4**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			73	**0.6**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 11 928	**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)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 11 855**	$ 3 765
Cash	**77**	4
Due from investment dealers	**–**	73
Subscriptions receivable	**49**	72
TOTAL ASSETS	**11 981**	3 914
LIABILITIES		
Due to investment dealers	**45**	272
Redemptions payable	**5**	81
Distributions payable	**2**	4
Accounts payable and accrued expenses	**1**	–
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**53**	357
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 11 928**	$ 3 557
Investments at cost	**$ 11 627**	$ 3 846
NAV		
SERIES D	**$ 610**	$ 417
SERIES O	**$ 11 318**	$ 3 140
NAV PER UNIT		
SERIES D	**$ 10.81**	$ 10.34
SERIES O	**$ 10.71**	$ 10.25

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 20**	$ 4
Other income received from underlying funds	**237**	69
Capital gains received from underlying funds	**162**	97
Net realized gain (loss) on investments	**9**	6
Net gain (loss) on foreign currencies and other net assets	**(1)**	–
Change in unrealized gain (loss) on investments	**309**	(77)
TOTAL INCOME (LOSS)	**736**	99
EXPENSES (see notes – Fund Specific Information)		
Management fees	**6**	1
Administration fees	**2**	–
Independent Review Committee costs	**2**	3
GST/HST	**1**	–
Withholding tax	**3**	1
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**12**	2
INCREASE (DECREASE) IN NAV	**$ 724**	$ 97
INCREASE (DECREASE) IN NAV		
SERIES D	**$ 42**	$ 1
SERIES O	**$ 682**	$ 96
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES D	**$ 0.86**	$ 0.49
SERIES O	**$ 1.08**	$ 0.63

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 724**	$ 97
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(9)**	(6)
Change in unrealized loss (gain) on investments	**(309)**	77
(Increase) decrease in accrued receivables	**–**	–
Increase (decrease) in accrued payables	**1**	–
Cost of investments purchased	**(9 811)**	(4 367)
Proceeds on sales of investments	**1 885**	920
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(7 519)**	(3 279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**8 846**	3 766
Cash paid on redemption of redeemable units	**(1 253)**	(484)
Distributions paid to holders of redeemable units	**(1)**	(1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ 7 592**	$ 3 281
Net increase (decrease) in cash for the period	**73**	2
Cash (bank overdraft), beginning of period	**4**	2
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 77**	$ 4
Interest received (paid)	**$ –**	$ –
Dividends received, net of withholding taxes	**$ 17**	$ 3

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

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

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	
	2016	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 417**	$ 35	**$ 3 140**	$ 157	**$ 3 557**	$ 192
INCREASE (DECREASE) IN NAV	**42**	1	**682**	96	**724**	97
Early redemption fees	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**353**	486	**8 470**	3 352	**8 823**	3 838
Reinvestments of distributions to holders of redeemable units	**15**	16	**424**	159	**439**	175
Redemption of redeemable units	**(201)**	(104)	**(976)**	(461)	**(1 177)**	(565)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**167**	398	**7 918**	3 050	**8 085**	3 448
Distributions from net income	**(6)**	(4)	**(244)**	(68)	**(250)**	(72)
Distributions from net gains	**(10)**	(13)	**(178)**	(95)	**(188)**	(108)
Distributions from capital	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(16)**	(17)	**(422)**	(163)	**(438)**	(180)
NET INCREASE (DECREASE) IN NAV	**193**	382	**8 178**	2 983	**8 371**	3 365
NAV AT END OF PERIOD	**$ 610**	$ 417	**$ 11 318**	$ 3 140	**$ 11 928**	$ 3 557

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

December 31, 2016

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:

Investment mix	**December 31 2016**	December 31 2015
Global Equities	**46.2**	47.3
Bonds	**21.5**	20.2
Canadian Equities	**18.8**	19.4
United States Equities	**12.5**	12.1
Cash/Other	**1.0**	1.0
Total	**100.0**	100.0

Interest rate risk (%)

As at December 31, 2016, 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 4.4% (December 31, 2015 – 4.0%). 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, 2016, 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% (December 31, 2015 – 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 28-month (December 31, 2015 – 16-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**0.5**	+ or -	0.6
MSCI EAFE Total Return Net Index (CAD)	**+ or -**	**0.6**	+ or -	0.7

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**544**	**–**	**–**	**544**
Mutual fund units	**11 311**	**–**	**–**	**11 311**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**11 855**	**–**	**–**	**11 855**
% of total portfolio	**100.0**	**–**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	161	–	–	161
Mutual fund units	3 380	–	–	3 380
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	224	–	224
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 541	224	–	3 765
% of total portfolio	94.1	5.9	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

December 31, 2016

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees	Operating expenses
Series D	1.10%	0.05%
Series O	n/a*	0.05%

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

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

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

	December 31 2016	December 31 2015
Units held		
Series D	**113**	110
Series O	**17 500**	16 847
Value of all units	**189**	174

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual funds as a percentage of 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Equity Underlying Fund	**9.4**	**–**	9.7	–
Phillips, Hager & North Canadian Equity Value Fund	**9.5**	**0.1**	9.7	–
Phillips, Hager & North Canadian Money Market Fund	**0.4**	**–**	0.5	–
Phillips, Hager & North High Yield Bond Fund	**5.0**	**–**	5.0	–
Phillips, Hager & North Long Inflation-linked Bond Fund	**16.5**	**2.8**	15.2	1.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	**–**	**–**	7.7	–
RBC Emerging Markets Equity Fund	**11.0**	**0.1**	11.3	–
RBC Global Equity Focus Fund	**26.3**	**0.1**	26.9	0.1
RBC QUBE Global Equity Fund	**8.8**	**0.3**	9.0	0.1
RBC U.S. Mid-Cap Value Equity Fund	**5.7**	**0.1**	–	–
RBC U.S. Small-Cap Value Equity Fund	**2.2**	**0.4**	–	–

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

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series D		
Opening units	**40**	4
Issued number of units	**35**	44
Reinvested number of units	**1**	2
Redeemed number of units	**(20)**	(10)
Ending number of units	**56**	40
Series O		
Opening units	**306**	16
Issued number of units	**803**	318
Reinvested number of units	**40**	16
Redeemed number of units	**(92)**	(44)
Ending number of units	**1 057**	306

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

PHILLIPS, HAGER & NORTH
Investment Management®

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

BONAVISTA GLOBAL BALANCED FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
270	AutoCanada Inc.	$ 9	$ 6	
160	Canadian Tire Corp. Ltd., Class A	10	22	
690	Gildan Activewear Inc., Class A	4	24	
580	Magna International Inc., Class A	11	34	
600	Quebecor Inc., Class B	9	22	
170	Restaurant Brands International Inc.	8	11	
207	Spin Master Corp.	4	7	
		55	126	**3.7**
Consumer Staples				
550	Alimentation Couche-Tard Inc.	15	33	
267	Loblaw Companies Ltd.	13	19	
490	Saputo Group Inc.	6	23	
		34	75	**2.2**
Energy				
1 170	Canadian Natural Resources Ltd.	41	50	
770	Cenovus Energy Inc.	24	16	
380	Crescent Point Energy Corp.	7	8	
550	Encana Corp.	19	9	
697	Husky Energy Inc.	26	11	
910	MEG Energy Corp.	12	8	
28	PrairieSky Royalty Ltd.	1	1	
960	Precision Drilling Corp.	6	7	
1 490	Suncor Energy Inc.	57	65	
		193	175	**5.1**
Financials				
615	Bank of Montreal	34	59	
985	Bank of Nova Scotia	50	74	
520	Canadian Imperial Bank of Commerce	42	57	
750	ECN Capital Corp.	2	2	
750	Element Fleet Management Corp.	7	9	
370	Genworth MI Canada Inc.	13	12	
610	Home Capital Group Inc.	18	19	
130	Intact Financial Corp.	9	12	
1 680	Manulife Financial Corporation	43	40	
510	National Bank of Canada	10	28	
690	Royal Bank of Canada*	38	63	
580	Sun Life Financial Inc.	24	30	
320	Thomson Corp.	16	19	
1 500	Toronto-Dominion Bank	56	99	
		362	523	**15.3**
Industrials				
680	CAE Inc.	$ 8	$ 13	
640	Canadian National Railway Co.	25	58	
160	Canadian Pacific Railway Ltd.	11	31	
490	Finning International Inc.	13	13	
216	MacDonald Dettwiler & Associates Ltd.	13	14	
270	Russel Metals Inc.	7	7	
330	SNC-Lavalin Group Inc.	13	19	
420	Stantec Inc.	14	14	
		104	169	**5.0**
Information Technology				
400	CGI Group Inc., Class A	14	26	
2 026	Mitel Networks Corp.	19	18	
370	Open Text Corp.	6	31	
		39	75	**2.2**
Materials				
210	Agrium Inc.	13	28	
40	CCL Industries, Class B	9	11	
678	First Quantum Minerals Ltd.	11	9	
425	Goldcorp Inc.	13	8	
640	HudBay Minerals Inc.	6	5	
1 380	Lundin Mining Corp.	6	9	
310	Methanex Corp.	9	18	
806	Teck Resources Ltd., Class B	25	22	
180	West Fraser Timber Co. Ltd.	8	9	
		100	119	**3.5**
Telecommunication Services				
290	Rogers Communications Inc., Class B	11	15	
330	TELUS Corp.	12	14	
		23	29	**0.8**
TOTAL CANADIAN EQUITIES		910	1 291	**37.8**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
93 953	Phillips, Hager & North Bond Fund*	$ 1 023	$ 962	
42 029	Phillips, Hager & North Overseas Equity Fund*	475	535	
9 227	Phillips, Hager & North U.S. Equity Fund*	530	546	
TOTAL MUTUAL FUND UNITS		2 028	2 043	**59.9**
TOTAL INVESTMENTS		$ 2 938	3 334	**97.7**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			77	**2.3**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 3 411	**100.0**

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

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

BONAVISTA GLOBAL BALANCED FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 3 334**	$ 3 763
Cash	**75**	136
Subscriptions receivable	**8**	3
Dividends receivable, interest accrued and other assets	**3**	6
TOTAL ASSETS	**3 420**	3 908
LIABILITIES		
Due to investment dealers	**5**	–
Redemptions payable	**–**	51
Accounts payable and accrued expenses	**4**	3
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**9**	54
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 3 411**	$ 3 854
Investments at cost	**$ 2 938**	$ 3 474
NAV		
SERIES A	**$ 216**	$ 220
ADVISOR SERIES	**$ 14**	$ 19
SERIES D	**$ 2 868**	$ 3 320
SERIES F	**$ 19**	$ 18
SERIES O	**$ 294**	$ 277
NAV PER UNIT		
SERIES A	**$ 13.45**	$ 12.72
ADVISOR SERIES	**$ 13.46**	$ 12.72
SERIES D	**$ 13.43**	$ 12.66
SERIES F	**$ 13.70**	$ 12.91
SERIES O	**$ 13.15**	$ 12.40

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 35**	$ 52
Interest for distribution purposes	**–**	9
Other income received from underlying funds	**56**	51
Capital gains received from underlying funds	**11**	25
Net realized gain (loss) on investments	**81**	307
Net gain (loss) on foreign currencies and other net assets	**–**	(1)
Change in unrealized gain (loss) on investments	**107**	(322)
TOTAL INCOME (LOSS)	**290**	121
EXPENSES (see notes – Fund Specific Information)		
Management fees	**35**	41
Administration fees	**4**	3
Independent Review Committee costs	**2**	3
GST/HST	**4**	4
Transaction costs	**–**	1
Withholding tax	**–**	2
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**43**	51
INCREASE (DECREASE) IN NAV	**$ 247**	$ 70
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 14**	$ –
ADVISOR SERIES	**$ 1**	$ 1
SERIES D	**$ 208**	$ 60
SERIES F	**$ 1**	$ –
SERIES O	**$ 23**	$ 9
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 0.81**	$ 0.07
ADVISOR SERIES	**$ 0.69**	$ 0.05
SERIES D	**$ 0.88**	$ 0.22
SERIES F	**$ 1.00**	$ 0.26
SERIES O	**$ 1.06**	$ 0.36

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 247**	$ 70
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(81)**	(307)
Change in unrealized loss (gain) on investments	**(107)**	322
(Increase) decrease in accrued receivables	**3**	4
Increase (decrease) in accrued payables	**1**	(1)
Cost of investments purchased	**(375)**	(8 752)
Proceeds on sales of investments	**997**	9 205
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**685**	541
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**340**	720
Cash paid on redemption of redeemable units	**(1 084)**	(1 126)
Distributions paid to holders of redeemable units	**(2)**	(11)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (746)**	$ (417)
Net increase (decrease) in cash for the period	**(61)**	124
Cash (bank overdraft), beginning of period	**136**	12
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 75**	$ 136
Interest received (paid)	**$ –**	$ 15
Dividends received, net of withholding taxes	**$ 35**	$ 51

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

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

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

For the periods ended December 31	Series A		Advisor Series		Series D		Series F	
(see note 2 in the generic notes)	2016	2015	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 220**	$ 196	**$ 19**	$ 45	**$ 3 320**	$ 3 714	**$ 18**	$ 18
INCREASE (DECREASE) IN NAV	**14**	–	**1**	1	**208**	60	**1**	–
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**3**	25	**–**	–	**342**	698	**–**	–
Reinvestments of distributions to holders of redeemable units	**1**	12	**–**	1	**40**	224	**–**	1
Redemption of redeemable units	**(20)**	–	**(6)**	(27)	**(1 001)**	(1 143)	**–**	–
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(16)**	37	**(6)**	(26)	**(619)**	(221)	**–**	1
Distributions from net income	**(2)**	(1)	**–**	–	**(41)**	(55)	**–**	–
Distributions from net gains	**–**	(12)	**–**	(1)	**–**	(178)	**–**	(1)
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(2)**	(13)	**–**	(1)	**(41)**	(233)	**–**	(1)
NET INCREASE (DECREASE) IN NAV	**(4)**	24	**(5)**	(26)	**(452)**	(394)	**1**	–
NAV AT END OF PERIOD	**$ 216**	$ 220	**$ 14**	$ 19	**$ 2 868**	$ 3 320	**$ 19**	$ 18

For the periods ended December 31	Series O		Total	
(see note 2 in the generic notes)	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	**$ 277**	$ 276	**$ 3 854**	$ 4 249
INCREASE (DECREASE) IN NAV	**23**	9	**247**	70
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**–**	–	**345**	723
Reinvestments of distributions to holders of redeemable units	**7**	22	**48**	260
Redemption of redeemable units	**(6)**	(7)	**(1 033)**	(1 177)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**1**	15	**(640)**	(194)
Distributions from net income	**(7)**	(8)	**(50)**	(64)
Distributions from net gains	**–**	(15)	**–**	(207)
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(7)**	(23)	**(50)**	(271)
NET INCREASE (DECREASE) IN NAV	**17**	1	**(443)**	(395)
NAV AT END OF PERIOD	**$ 294**	$ 277	**$ 3 411**	$ 3 854

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

December 31, 2016

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 28.2% (December 31, 2015 – 26.8%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	**December 31 2016**	December 31 2015
AAA	**33.9**	27.5
AA	**33.7**	38.5
A	**15.9**	15.2
BBB	**15.8**	18.1
Unrated	**0.7**	0.7
Total	**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 2016**	December 31 2015
Canadian Equities	**37.8**	34.1
Bonds	**26.8**	25.3
United States Equities	**15.8**	16.4
Overseas Equities	**15.5**	17.2
Mortgages	**0.2**	–
Cash/Other	**3.9**	7.0
Total	**100.0**	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 28.9% (December 31, 2015 – 26.8%) of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	**December 31 2016**	December 31 2015
Less than 1 year	**3.9**	4.0
1 – 5 years	**30.9**	32.1
5 – 10 years	**31.6**	27.5
> 10 years	**33.6**	36.4
Total	**100.0**	100.0

As at December 31, 2016, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.2% (December 31, 2015 – 2.0%). 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 2016**	December 31 2015
United States dollar	**17.2**	18.1
Euro	**4.6**	4.8
Japanese yen	**2.8**	3.5
Pound sterling	**2.6**	3.3
Swiss franc	**1.3**	1.7
Hong Kong dollar	**0.6**	0.6
South African rand	**0.6**	0.7
Australian dollar	**0.5**	–
Danish krone	**0.5**	–
Other currencies	**0.9**	0.8
Total	**31.6**	33.5

As at December 31, 2016, 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, 2015 – 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 historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2016	December 31 2015
S&P/TSX Capped Composite Total Return Index	**+ or - 0.6**	+ or - 0.6
S&P 500 Total Return Index (CAD)	**+ or - 0.5**	+ or - 0.5
MSCI EAFE Total Return Net Index (CAD)	**+ 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, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**1 291**	**–**	**–**	**1 291**
Mutual fund units	**2 043**	**–**	**–**	**2 043**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**3 334**	**–**	**–**	**3 334**
% of total portfolio	**100.0**	**–**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	1 314	–	–	1 314
Mutual fund units	2 449	–	–	2 449
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 763	–	–	3 763
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.75%	0.10%
Advisor Series	1.75%	0.10%
Series D	1.00%	0.10%
Series F	0.75%	0.10%
Series O	n/a†	0.10%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.75% from 2.00%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**52**	52
Advisor Series	**102**	101
Series D	**112**	110
Series F	**57**	56
Series O	**61**	60
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 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 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Bond Fund	**28.2**	**–**	26.8	–
Phillips, Hager & North Canadian Money Market Fund	**–**	**–**	2.6	–
Phillips, Hager & North Overseas Equity Fund	**15.7**	**0.1**	17.4	0.1
Phillips, Hager & North U.S. Equity Fund	**16.0**	**0.1**	16.7	0.1

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	10
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**17**	15
Issued number of units	**1**	1
Reinvested number of units	**–**	1
Redeemed number of units	**(2)**	–
Ending number of units	**16**	17
Advisor Series		
Opening units	**1**	3
Issued number of units	**–**	–
Reinvested number of units	**–**	–
Redeemed number of units	**–**	(2)
Ending number of units	**1**	1
Series D		
Opening units	**262**	277
Issued number of units	**27**	51
Reinvested number of units	**3**	18
Redeemed number of units	**(78)**	(84)
Ending number of units	**214**	262
Series F		
Opening units	**1**	1
Issued number of units	**–**	–
Reinvested number of units	**–**	–
Redeemed number of units	**–**	–
Ending number of units	**1**	1
Series O		
Opening units	**22**	21
Issued number of units	**–**	–
Reinvested number of units	**1**	1
Redeemed number of units	**(1)**	–
Ending number of units	**22**	22

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**–**	**–**	1	100
Related-party brokerage commissions*	**–**	**–**	–	–
Commission arrangements†	**–**	**–**	–	–

* See note 7 in the generic notes.

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

SCHEDULE OF INVESTMENT PORTFOLIO (in $000s)

BONAVISTA CANADIAN EQUITY VALUE FUND

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
3 340	AutoCanada Inc.	$ 122	$ 77	
1 780	Canadian Tire Corp. Ltd., Class A	178	248	
8 410	Gildan Activewear Inc., Class A	97	287	
7 120	Magna International Inc., Class A	141	415	
6 710	Quebecor Inc., Class B	107	250	
2 000	Restaurant Brands International Inc.	98	128	
2 624	Spin Master Corp.	47	84	
		790	1 489	**9.2**
Consumer Staples				
6 860	Alimentation Couche-Tard Inc.	78	418	
3 096	Loblaw Companies Ltd.	152	219	
5 950	Saputo Group Inc.	73	283	
		303	920	**5.7**
Energy				
14 140	Canadian Natural Resources Ltd.	457	605	
8 900	Cenovus Energy Inc.	253	181	
4 870	Crescent Point Energy Corp.	91	89	
6 280	Encana Corp.	199	99	
7 664	Husky Energy Inc.	257	125	
11 090	MEG Energy Corp.	171	102	
308	PrairieSky Royalty Ltd.	8	10	
9 171	Precision Drilling Corp.	126	67	
19 260	Suncor Energy Inc.	708	846	
		2 270	2 124	**13.2**
Financials				
7 160	Bank of Montreal	421	691	
11 790	Bank of Nova Scotia	598	881	
6 380	Canadian Imperial Bank of Commerce	511	699	
9 600	ECN Capital Corp.	26	32	
9 590	Element Fleet Management Corp.	100	119	
4 400	Genworth MI Canada Inc.	158	148	
7 730	Home Capital Group Inc.	247	242	
1 510	Intact Financial Corp.	94	145	
19 840	Manulife Financial Corporation	515	474	
6 390	National Bank of Canada	174	348	
8 800	Royal Bank of Canada*	492	800	
6 820	Sun Life Financial Inc.	275	352	
3 760	Thomson Corp.	140	221	
18 330	Toronto-Dominion Bank	662	1 214	
		4 413	6 366	**39.5**
Industrials				
7 980	CAE Inc.	$ 85	$ 150	
7 950	Canadian National Railway Co.	256	718	
2 040	Canadian Pacific Railway Ltd.	230	391	
6 890	Finning International Inc.	190	181	
2 586	MacDonald Dettwiler & Associates Ltd.	129	173	
3 210	Russel Metals Inc.	82	82	
3 890	SNC-Lavalin Group Inc.	155	225	
4 860	Stantec Inc.	155	165	
		1 282	2 085	**12.9**
Information Technology				
4 790	CGI Group Inc., Class A	171	309	
25 076	Mitel Networks Corp.	242	229	
4 340	Open Text Corp.	68	360	
		481	898	**5.6**
Materials				
2 630	Agrium Inc.	164	355	
470	CCL Industries, Class B	107	124	
7 482	First Quantum Minerals Ltd.	128	100	
3 815	Goldcorp Inc.	118	70	
7 860	HudBay Minerals Inc.	82	60	
17 440	Lundin Mining Corp.	74	112	
3 690	Methanex Corp.	128	217	
9 947	Teck Resources Ltd., Class B	286	267	
2 250	West Fraser Timber Co. Ltd.	108	108	
		1 195	1 413	**8.7**
Telecommunication Services				
3 330	Rogers Communications Inc., Class B	122	172	
4 620	TELUS Corp.	118	198	
		240	370	**2.3**
TOTAL CANADIAN EQUITIES		10 974	15 665	**97.1**

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
30 085	Phillips, Hager & North Canadian Money Market Fund*	$ 301	$ 301	
TOTAL MUTUAL FUND UNITS		301	301	**1.9**
TOTAL INVESTMENTS		$ 11 275	15 966	**99.0**
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			164	**1.0**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$ 16 130	**100.0**

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

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

BONAVISTA CANADIAN EQUITY VALUE FUND

Statements of Financial Position

(in $000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	**$ 15 966**	$ 16 835
Cash	**115**	165
Subscriptions receivable	**42**	–
Dividends receivable, interest accrued and other assets	**33**	44
TOTAL ASSETS	**16 156**	17 044
LIABILITIES		
Redemptions payable	**20**	64
Accounts payable and accrued expenses	**6**	8
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	**26**	72
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	**$ 16 130**	$ 16 972
Investments at cost	**$ 11 275**	$ 14 161
NAV		
SERIES A	**$ 216**	$ 163
ADVISOR SERIES	**$ 45**	$ 37
SERIES D	**$ 6 917**	$ 6 584
SERIES F	**$ 110**	$ 92
SERIES O	**$ 8 842**	$ 10 096
NAV PER UNIT		
SERIES A	**$ 15.56**	$ 12.98
ADVISOR SERIES	**$ 15.60**	$ 13.01
SERIES D	**$ 15.64**	$ 13.06
SERIES F	**$ 15.67**	$ 13.08
SERIES O	**$ 15.85**	$ 13.22

Statements of Comprehensive Income

(in $000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Dividends	**$ 426**	$ 495
Other income received from underlying funds	**1**	3
Net realized gain (loss) on investments	**816**	(796)
Change in unrealized gain (loss) on investments	**2 017**	(1 101)
TOTAL INCOME (LOSS)	**3 260**	(1 399)
EXPENSES (see notes – Fund Specific Information)		
Management fees	**63**	78
Administration fees	**17**	19
Independent Review Committee costs	**2**	3
GST/HST	**6**	8
Transaction costs	**2**	3
Expenses reimbursed by manager	**(2)**	(3)
TOTAL EXPENSES	**88**	108
INCREASE (DECREASE) IN NAV	**$ 3 172**	$ (1 507)
INCREASE (DECREASE) IN NAV		
SERIES A	**$ 38**	$ (17)
ADVISOR SERIES	**$ 8**	$ (5)
SERIES D	**$ 1 223**	$ (636)
SERIES F	**$ 20**	$ (7)
SERIES O	**$ 1 883**	$ (842)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	**$ 2.73**	$ (1.33)
ADVISOR SERIES	**$ 2.69**	$ (1.31)
SERIES D	**$ 2.71**	$ (1.22)
SERIES F	**$ 2.87**	$ (1.16)
SERIES O	**$ 2.82**	$ (1.10)

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

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

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	**$ 3 172**	$ (1 507)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	**–**	–
Net realized loss (gain) on investments	**(812)**	796
Change in unrealized loss (gain) on investments	**(2 017)**	1 101
(Increase) decrease in accrued receivables	**11**	(4)
Increase (decrease) in accrued payables	**(2)**	(1)
Cost of investments purchased	**(1 101)**	(2 324)
Proceeds on sales of investments	**4 799**	2 270
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**4 050**	331
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**1 527**	1 714
Cash paid on redemption of redeemable units	**(5 590)**	(2 514)
Distributions paid to holders of redeemable units	**(37)**	(38)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**$ (4 100)**	$ (838)
Net increase (decrease) in cash for the period	**(50)**	(507)
Cash (bank overdraft), beginning of period	**165**	672
CASH (BANK OVERDRAFT), END OF PERIOD	**$ 115**	$ 165
Interest received (paid)	**$ –**	$ –
Dividends received, net of withholding taxes	**$ 434**	$ 494

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

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

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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 163**	$ 174	**$ 37**	$ 1	**$ 6 584**	$ 7 894	**$ 92**	$ 11
INCREASE (DECREASE) IN NAV	**38**	(17)	**8**	(5)	**1 223**	(636)	**20**	(7)
Early redemption fees	**–**	–	**–**	–	**–**	–	**–**	–
Proceeds from redeemable units issued	**19**	9	**–**	41	**763**	542	**–**	91
Reinvestments of distributions to holders of redeemable units	**2**	1	**–**	–	**108**	96	**–**	–
Redemption of redeemable units	**(4)**	(3)	**–**	–	**(1 653)**	(1 216)	**–**	(1)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**17**	7	**–**	41	**(782)**	(578)	**–**	90
Distributions from net income	**(2)**	(1)	**–**	–	**(108)**	(96)	**(2)**	(2)
Distributions from net gains	**–**	–	**–**	–	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(2)**	(1)	**–**	–	**(108)**	(96)	**(2)**	(2)
NET INCREASE (DECREASE) IN NAV	**53**	(11)	**8**	36	**333**	(1 310)	**18**	81
NAV AT END OF PERIOD	**$ 216**	$ 163	**$ 45**	$ 37	**$ 6 917**	$ 6 584	**$ 110**	$ 92

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2016	2015	**2016**	2015
NAV AT BEGINNING OF PERIOD	**$ 10 096**	$ 11 301	**$ 16 972**	$ 19 381
INCREASE (DECREASE) IN NAV	**1 883**	(842)	**3 172**	(1 507)
Early redemption fees	**–**	–	**–**	–
Proceeds from redeemable units issued	**787**	1 031	**1 569**	1 714
Reinvestments of distributions to holders of redeemable units	**187**	219	**297**	316
Redemption of redeemable units	**(3 889)**	(1 358)	**(5 546)**	(2 578)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	**(2 915)**	(108)	**(3 680)**	(548)
Distributions from net income	**(222)**	(255)	**(334)**	(354)
Distributions from net gains	**–**	–	**–**	–
Distributions from capital	**–**	–	**–**	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	**(222)**	(255)	**(334)**	(354)
NET INCREASE (DECREASE) IN NAV	**(1 254)**	(1 205)	**(842)**	(2 409)
NAV AT END OF PERIOD	**$ 8 842**	$ 10 096	**$ 16 130**	$ 16 972

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

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.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

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 2016**	December 31 2015
Financials	**39.5**	39.1
Energy	**13.2**	11.0
Industrials	**12.9**	12.8
Consumer Discretionary	**9.2**	12.3
Materials	**8.7**	5.7
Consumer Staples	**5.7**	6.2
Information Technology	**5.6**	6.5
Telecommunication Services	**2.3**	2.4
Health Care	**–**	2.3
Cash/Other	**2.9**	1.7
Total	**100.0**	100.0

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 2016		December 31 2015	
S&P/TSX Capped Composite Total Return Index	**+ or -**	**1.0**	+ or -	1.0

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

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

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**15 665**	**–**	**–**	**15 665**
Mutual fund units	**301**	**–**	**–**	**301**
Fixed-income and debt securities	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Derivatives – assets	**–**	**–**	**–**	**–**
Derivatives – liabilities	**–**	**–**	**–**	**–**
Total financial instruments	**15 966**	**–**	**–**	**15 966**
% of total portfolio	**100.0**	**–**	**–**	**100.0**

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	16 685	–	–	16 685
Mutual fund units	150	–	–	150
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	16 835	–	–	16 835
% of total portfolio	100.0	–	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series O	n/a†	0.10%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.60% from 1.75%; for Series D units were reduced to 0.85% from 1.00%; and for Series F units were reduced to 0.60% from 0.75%.

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

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

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

	December 31 2016	December 31 2015
Units held		
Series A	**50**	50
Advisor Series	**98**	97
Series D	**53**	52
Series F	**54**	53
Series O	**56**	54
Value of all units	**5**	4

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual fund as a percentage of NAV, and the Fund's ownership interest as a percentage of the net assets of the underlying fund ("Ownership"). The underlying fund is established and conducts business in Canada, and has an associate relationship to the Fund.

	December 31 2016		December 31 2015	
	NAV	**Ownership**	NAV	Ownership
Phillips, Hager & North Canadian Money Market Fund	**1.9**	**–**	0.9	–

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

The non-capital and capital losses as at December 31, 2016 for the Fund were approximately:

Capital losses	1 095
Non-capital losses	–

Redeemable units (000s)

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

For the periods ended December 31 (see note 2 in the generic notes)	**2016**	2015
Series A		
Opening units	**13**	12
Issued number of units	**1**	1
Reinvested number of units	**–**	–
Redeemed number of units	**–**	–
Ending number of units	**14**	13
Advisor Series		
Opening units	**3**	–
Issued number of units	**–**	3
Reinvested number of units	**–**	–
Redeemed number of units	**–**	–
Ending number of units	**3**	3
Series D		
Opening units	**504**	545
Issued number of units	**50**	38
Reinvested number of units	**7**	7
Redeemed number of units	**(119)**	(86)
Ending number of units	**442**	504
Series F		
Opening units	**7**	1
Issued number of units	**–**	6
Reinvested number of units	**–**	–
Redeemed number of units	**–**	–
Ending number of units	**7**	7
Series O		
Opening units	**763**	770
Issued number of units	**61**	71
Reinvested number of units	**12**	17
Redeemed number of units	**(278)**	(95)
Ending number of units	**558**	763

Transaction costs ($000s except %)

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

	December 31 2016		December 31 2015	
	$	**%**	$	%
Total transaction costs	**2**	**100**	3	100
Related-party brokerage commissions*	**–**	**–**	–	–
Commission arrangements†	**–**	**–**	–	–

* See note 7 in the generic notes.

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

1. The Funds

The Funds ("Fund" or "Funds") are open-ended mutual fund trusts governed by the laws of the Province of Ontario or British Columbia. RBC GAM is the manager and portfolio manager of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. RBC GAM is also the trustee of those Funds governed by the laws of the Province of Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 8, 2017.

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

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

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

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

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

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

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

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

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

2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at December 31, 2016 and 2015. 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:

Classification of Financial Assets and Liabilities The Funds' financial assets and financial liabilities, other than derivatives, are designated at fair value through profit or loss at inception, as those financial assets and liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. Derivatives are classified as held for trading and measured at fair value through profit or loss. Redemption units are measured at their respective redemption values. All other assets and liabilities are measured at amortized cost. Unrealized gains (losses) arising on derivatives are shown on the respective Fund's Statements of Financial Position and such amounts are included in the Statements of Comprehensive Income in "Change in unrealized gain (loss) on investments," where applicable. Realized gains arising on derivatives during a period are included in the Statements of Comprehensive Income in "Other derivatives," where applicable. Refer to note 3 for net gains (losses) on financial instruments by category.

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

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

The Investee Funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective Fund's net assets.

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

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

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

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

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

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

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. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

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

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

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

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

The premium received for written options is recorded as a liability 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 unrealized gain or loss at the close of business on each valuation date is recorded as "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in "Net gain (loss) on foreign currencies and other net assets" in the Statements of Comprehensive Income.

Total Return Swaps – The Funds may enter into total return swaps to gain or mitigate exposure of the underlying reference securities. Total return swaps on commodities involve commitments where cash flows are exchanged based on the price of a commodity and based on a fixed or variable rate. One party would receive payments based on the market value of the commodity involved and pay a fixed amount. Total return swaps on indices or individual securities involve commitments to pay interest in exchange for a market-linked return. One counterparty pays out the total return of a specific reference asset, which may be an equity, index, or bond, and in return receives a regular stream of payments. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment from or make a payment to the counterparty.

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 – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

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

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the Phillips, Hager & North $U.S. Money Market Fund, RBC $U.S. Money Market Fund, RBC Premium $U.S. Money Market Fund, RBC $U.S. Investment Grade Corporate Bond Fund, RBC $U.S. High Yield Bond Fund, BlueBay Emerging Markets Corporate Bond Fund, BlueBay $U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund) at the rate of exchange on each valuation date. 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, RBC $U.S. Money Market Fund, RBC Premium $U.S. Money

Market Fund, RBC $U.S. Investment Grade Corporate Bond Fund, RBC $U.S. High Yield Bond Fund, BlueBay Emerging Markets Corporate Bond Fund, BlueBay $U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Valuation of Series A different 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. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized on a straight line basis.

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

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

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

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

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

Financial instrument risk, as applicable to a Fund, is disclosed in its "Notes to Financial Statements – Fund Specific Information."

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 creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 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 the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

Other price risk

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

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 Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. No management fees are paid by the Funds with respect to Series O units. Unitholders of Series O units pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds, and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated 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 Notes to Financial Statements – Fund Specific Information.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Sub-Advisors

RBC Global Asset Management (U.S.) Inc., a wholly owned subsidiary of Royal Bank, is the sub-advisor for the RBC $U.S. Investment Grade Corporate Bond Fund, RBC U.S. Mid-Cap Growth Equity Fund, RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund, RBC U.S. Mid-Cap Value Equity Fund, RBC U.S. Small-Cap Core Equity Fund, RBC U.S. Small-Cap Value Equity Fund, RBC Private U.S. Large-Cap Core Equity Pool, RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool, Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund, Phillips, Hager & North U.S. Equity Fund and Phillips, Hager & North U.S. Growth Fund. RBC Global Asset Management (UK) Limited, a wholly owned subsidiary of Royal Bank, is the sub-advisor for the RBC Bond Fund (for a portion of the Fund), RBC Global Bond Fund (for a portion of the Fund), RBC Global Corporate Bond Fund (for a portion of the Fund), RBC Global High Yield Bond Fund (for a portion of the Fund), RBC Emerging Markets Bond Fund, RBC U.S. Monthly Income Fund (for a portion of the Fund), RBC Balanced Fund (for the European equity portion of the Fund), RBC Global Balanced Fund (for the European equity portion of the Fund), RBC Jantzi Balanced Fund (for the European equity portion of the Fund), RBC International Dividend Growth Fund (for the European equity portion of the Fund), RBC International Equity Fund (for the European equity portion of the Fund), RBC European Dividend Fund, RBC European Equity Fund, RBC European Mid-Cap Equity Fund, RBC Emerging Markets Dividend Fund, RBC Emerging Markets Equity Fund, RBC Emerging Markets Small-Cap Equity Fund, RBC Global Dividend Growth Fund, RBC Global Dividend Growth Currency Neutral Fund, RBC Global Equity Fund, RBC Global Equity Focus Fund, RBC Jantzi Global Equity Fund (for the European equity portion of the Fund), Phillips, Hager & North Overseas Equity Fund, Phillips, Hager & North Global Equity Fund and Phillips, Hager & North Community Values Global Equity Fund. RBC Investment Management (Asia) Limited, a wholly owned subsidiary of Royal Bank, is the sub-advisor for the RBC Balanced Fund (for the Asian equity portion of the Fund), RBC Global Balanced Fund (for the Asian equity portion of the Fund), RBC Jantzi Balanced Fund (for the Asian equity portion of the Fund), RBC International Dividend Growth Fund (for the

Asian equity portion of the Fund), RBC International Equity Fund (for the Asian equity portion of the Fund), RBC Asian Equity Fund, RBC Asia Pacific Ex-Japan Equity Fund, RBC Japanese Equity Fund and RBC Jantzi Global Equity Fund (for the Asian equity portion of the Fund). BlueBay Asset Management LLP, an indirect wholly owned subsidiary of Royal Bank, is the sub-advisor of the BlueBay Global Monthly Income Bond Fund, BlueBay Global Sovereign Bond Fund (Canada), BlueBay Global Investment Grade Corporate Bond Fund (Canada), BlueBay European High Yield Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada) and BlueBay $U.S. Global Convertible Bond Fund (Canada).

Trustee

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and PH&N IF are 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 A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H and Series D units.

Custodian

RBC IS is the custodian and holds the assets of the Funds.

Registrars

Royal Bank, RBC IS and RBC GAM are the registrars of the Funds and keep records of who owns the units of the Funds. The registrars also process orders and issue account statements.

Brokers and Dealers

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

Other Related-Party Transactions

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

Related-Party Trading Activities

(a) trades in securities of Royal Bank;

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

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

Inter-Fund Trading

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

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

8. Future accounting changes

The following IFRS standard has been issued, but is not yet in effect:

In July 2014, the International Accounting Standards Board finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon its effective date.

The new standard, which becomes effective for annual periods beginning on or after January 1, 2018, is not expected to have a significant impact on the Funds.

RBC Funds and RBC Private Pools

By Phone

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Dealers: **1-800-662-0652**

On the Internet

Visit our website at: **www.rbcgam.com/funds**
Email us at: **funds.investments@rbc.com**

Phillips, Hager & North Funds

By Phone

Investors: **1-800-661-6141**
Dealers: **1-800-662-0652**

On the Internet

Visit our website at: **www.rbcgam.com/funds**
Email us at: **info@phn.com**

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